Austria . . . Sch 22	Indonesia . . Rp 3100	Philippines . . Pes 20
Bahrain . . Din 0.650	Israel . . . IS 3.50	Portugal . . Esc 100
Belgium . . . BFr 48	Italy . . . . L 1600	S. Arabia . . Rls 6.00
Canada . . . C$1.00	Japan Y600	Singapore . . S$ 4.10
Cyprus . . . C£0.75	Jordan . . . Fils 500	Spain . . . . Pta 125
Denmark . . DKr 9.00	Kuwait . . . Fils 500	Sri Lanka . . . Rup 30
Egypt . . . . E£2.25	Lebanon . . £L 50.00	Sweden . . SKr 8.00
Finland . . . Fmk 7.00	Luxembourg . LFr 48	Switzerland . SFr 2.20
France . . FFr 6.50	Malaysia . . Rgt 4.25	Taiwan . . . NT $65
Germany . . DM 2.20	Mexico . . Pes. 300	Tunisia . . Din 0.600
Greece . . . . . Dr 80	Morocco . . Dh 6.00	Turkey . . . . L 500
Hong Kong . . HK$ 12	Netherlands . Fl 3.00	U.A.E. . . . Dh 6.50
India . . . . Rup. 15	Norway . . Nkr. 7.00	U.S.A. $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,203 Monday April 6 1987 D 8523 B

Soares under pressure to call early elections, Page 3

World news

Wave of arrests in Egypt on eve of poll

An opposition alliance said hundreds of its members had been arrested as Egypt prepared for today's parliamentary elections which are almost certain to be won by President Hosni Mubarak's party.

Leaders of the Socialist Labour Party said at least 750 of the alliance's three parties, including the banned but tolerated Moslem Brotherhood had been held. An Interior Ministry spokesman confirmed there had been arrests but said the opposition figures were exaggerated. Page 4

Spanish base battle

Spanish police used smoke bombs and rubber bullets during clashes with demonstrators outside the joint Spanish-US naval base at Rota. About 3,000 pacifists marched there demanding withdrawal of American forces.

Threat to Aquino

A suspected communist assassin armed with a pistol and a grenade was seized by police near a stage from which President Corazon Aquino of the Philippines was to address an election rally in the central city of Tacloban.

Historic Herzog visit

President Chaim Herzog travels to West Germany today on the first visit by an Israeli head of state, hoping to seal an uneasy conciliation with the German people 42 years after the Holocaust.

Indonesian air crash

A Garuda Indonesia DC-9 airliner crashed after being struck by lightning as it was landing in North Sumatra, killing 28 people. Several of the 17 survivors were critically ill.

Sri Lanka murders

More than 100 Tamil youths have been murdered in the Jaffna region of Sri Lanka by the Tamil Tigers, the most powerful of the separatist rebel groups, in revenge for a grenade attack which injured the Tigers' deputy military commander.

Beirut food relief

Six trucks laden with food, clothes and blankets donated by Kuwait drove into the besieged Palestinian refugee camp of Bourj al-Barajneh in Beirut. Page 2

Swiss asylum vote

Swiss voters approved by a two-to-one margin a controversial government plan to tighten the country's asylum laws, rejecting human rights arguments that refugees could suffer as a result.

Space docking fails

Soviet space experts aborted the docking of the new research module Kvant with the manned orbiting space station Mir because of a problem with the module's directional systems.

Chernobyl warning

Up to 600 people in the Soviet Union are expected to die of cancer as a result of last year's Chernobyl nuclear accident, Ukrainian Health Minister Nikolai Romanenko was quoted as saying.

Six skiers killed

Six West German skiers, including two women, were killed by an avalanche near the Tyrolean resort of Ischl. Rescue teams dug two others out of the snow alive.

Tindemans initiative

Belgian Foreign Minister Leo Tindemans is to undertake a new Middle East tour in an attempt to promote the Arab-Israeli peace conference now espoused by the European Economic Community. Page 3

Renoir work stolen

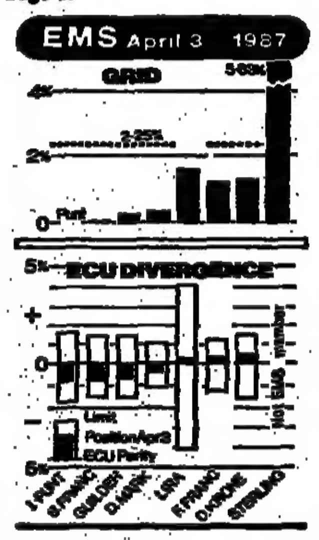
The Vase of Flowers, a Renoir painting valued at $725,000, was stolen from a gallery in Bond Street, London.

Business summary

Italy plans further sell-off of BCI

BANCA COMMERCIALE Italiana Milan-based banking group which is Italy's second largest, proposed a plan to sell up to a further 17 per cent of its equity to investors, which would raise around L555bn ($427m) at current market prices. Page 26

EUROPEAN Monetary System: Currencies showed little overall change in the week as attention remained focused on the US dollar. The latter fell to a post-war low against the yen but received little help from European central banks or the US Federal Reserve. Fears of a trade war depressed the US unit, but there was no increase in pressure on the weaker members of the system. For the second week running the Belgian central bank cut short-term interest rates, giving rise to speculation over another cut in the discount rate. Currencies, Page 48



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

NORTHERN IRELAND is to announce the first round of onshore oil and gas licensing later this month, in a move designed to encourage exploration and correct the province's sole reliance on imported fuels. Details, Page 6

HONG KONG'S leading banks will raise their local prime lending rate today by half a percentage point to 6½ per cent.

TOKYO Stock Exchange closed at third consecutive record high on half-day trading on Saturday, following higher prices on Wall Street and downtrends in US long-term interest rates. Nikkei index closed up 327.82 at 22,738.67.

FRENCH Government fixed a price of FFr 130 ($21.50) a share for the privatisation of Banque du Bâtiment et des Travaux Publics, whose offer for sale opens today. Page 30

SHEARSON LEHMAN Brothers, Wall Street investment bank, has ceased to act as financial adviser to Tan Sri Khoo Teck Puat, Malaysian financier who is seriously at odds with the Government of Brunei. Page 30

ALLIED-SIGNAL, a leading US industrial conglomerate, sold for $430m its Amphenol subsidiary which makes connectors for electrical cables. Page 30

BOUYGUES, big French construction group, won control of France's leading national television network, TF-1, beating the Hachette publishing group which had long been regarded as the favourite in the battle for the television channel. Page 26

RAUL GARDINI'S Ferruzzi Group has spent around L46bn ($35m) in the past week acquiring new equity holdings. Page 30

SEOUL stock market showed a recovery after a record fall on Friday following a warning by the Finance Ministry that measures would be introduced to curb the recent boom. Page 27

Vast savings for car makers may flow from engine innovation

BY JOHN GRIFFITHS IN LONDON

A NEW CAR engine combustion technology capable of meeting the EEC's strict new exhaust emission standards, proposed for 1988 onwards, could be offered to vehicle makers by this summer.

Developed by AE, the British engineering concern, for Sonex Research of the US, the technology could save the European motor industry alone hundreds of millions of dollars if no unexpected problems were found in its final stages of development.

Optimism about the system, and perception of the potential commercial stakes involved, have continued to rise through a series of test programmes over the past 18 months.

Published results of the first two tests in the US – adjudicated by US federal government-registered independent research laboratories – showed emissions from Ford Escort-based prototype engines within both US and planned EEC standards.

In the past few weeks, further testing at the UK's Motor Industry Research Association (Mira) has confirmed the ability to beat the proposed EEC standards, according to Mr Roger Slee, executive engineer of AE Developments, the AE research subsidiary which has been undertaking the development.

The technology involves the efficient burning of very weak petrol/air mixtures through the use of radical piston and fuel induction designs, which oscillate the mixture at its natural frequency during combustion.

The UK tests showed the Sonex/AE engine emitted 5 per cent fewer hydrocarbons and nitrogen oxides and 58 per cent less carbon monoxide than required under the proposed EEC standards, and 56 per cent fewer nitrogen oxides and hydrocarbons and 80 per cent less carbon monoxide than an unmodified Escort unit.

Both Sonex and AE claim they are not seriously concerned by a currently poorer fuel consumption than standard, ranging between 5 and 35 per cent depending on which part of the EEC test driving cycle is being followed.

They say it is expected to be eradicated by improved ignition and fuel systems to be fitted for the next trials programme about to start at Mira, and which will include durability testing.

The significance of the technology is that it is generic to all sizes of car and other engines and makes catalytic converters or other approaches to "lean-burn" engine technology redundant, Dr Andrew Pouring, Sonex's chairman and chief executive, said at the weekend.

A full three-way catalytic converter system adds some £400-£600 to the price of a new car, and in Europe the forthcoming EEC standards effectively mean that all new cars over 2 litres built after October 1988 will have to have them, based on current engine technology.

Smaller cars may be able to use simpler catalysts combined with lean-burn engines. But all lean-burn solutions to date involve complicated design and engineering problems for each individual engine size and type.

Dr Pouring said that initially a Sonex/AE technology-equipped car would be able to meet the standards at about one fifth the catalyst system's cost. The cost advantage would become even greater as production built up.

The next stages of development, however, are being tackled only after the signing of a new agreement between the two companies which ends a critical period in their relations.

Until the past few days, the rift

Continued on Page 26

Paris Club proposes sub-Saharan debt rescheduling scheme

BY QUENTIN PEEL IN BRUSSELS

THE PARIS Club of Western governments involved in loans to developing countries has agreed in principle on a scheme for long-term rescheduling of debts for financially crippled sub-Saharan African countries.

The plan will be presented this week in Washington at the meetings of the World Bank development committee and the policy-making interim committee of the International Monetary Fund, as a major move to resolve the debt crisis of the world's poorest nations.

The plan proposes rescheduling the countries' government-to-government debt over a period of between 15 and 20 years, with a grace period for repayment and substantially reduced interest, according to Mr Nigel Lawson, the British Chancellor of the Exchequer.

He revealed the plan after a meeting of EEC Finance Ministers at the Belgian seaside resort of Knokke, held to prepare for the IMF and World Bank meetings in Washington.

The Paris Club move, agreed "very recently" among the major Western industrial lenders is, according to senior officials, a response to the plight of African countries facing a net capital outflow during a period of unprecedented economic crisis.

Between 1986 and 1990 they must repay more than SDR 1bn ($1.28bn) to the IMF alone.

The Paris Club plan coincides with additional French moves to use the Fund's Compensatory Financing Facility to reschedule the countries debts, or even to create a new fund to pay it off.

The French plan has been less well received by other lending nations, because it means using the CFF for countries facing an absolute economic decline, rather than simply for a crop failure or short-term fall in commodity prices, as was intended.

The leading industrialised nations are this week expected to endorse their Paris accord on currency stabilisation, but their meetings at the IMF and World Bank in Washington are likely to be marked by strains over how to promote faster economic growth. Page 26.

Mr Lawson said the Paris Club initiative was supported "100 per cent" by the British Government. It would allow different terms for different debtor nations, depending on their need. "The debt problem is genuinely the most difficult and intractable we have," he said.

Mr Mark Eyskens, the Belgian Finance Minister who chaired the meeting, said all were agreed on the need "to mobilise more money through the international financial agencies," for the poorest countries. The need was particularly acute in the light of pessimistic IMF reports on world economic growth prospects.

Stewart Fleming in Washington adds: The new proposals for easing the debt burden of sub-Saharan African countries could help to take some of the heat out of the controversy over the role of the fund in the region. This controversy is threatening to be one of the more controversial issues on the agenda at the meetings of the IMF and the World Bank this week.

Monetary officials in Washington have been emphasising the importance they attach to a new industrial country initiative on sub-Saharan Africa now that disbursement of funds from the special IMF facility set up for the region is coming to an end.

They are also indicating, however, that a deeper concern is the prospect for economic growth in the industrial countries. The IMF has now had to revise down twice since last September its projections for growth in the industrial world which have fallen by around a full percentage point from 3¼ per cent last September to between 2 and 2½ per cent.

In particular, there are concerns about the growth prospects in Japan and West Germany, where the problems of export industries as a result of rising currency values are seen to be hitting capital investment and weakening the foundations for growth.

Michael Holman, Africa Editor, in London writes: the Paris Club proposal to ease Africa's debt burden follows a warning given last year by the World Bank: "Africa's attempts to help itself will fail without additional resources in the form of new aid and debt relief."

In its report, 'Financing adjustment with growth in sub-Saharan Africa, 1986–1990,' the Bank noted that most of the 44 countries faced mounting difficulties in servicing their debt.

Between 1980 and 1984, the region's debt service payments (including payments to the IMF) increased from 18 per cent of export earnings to 26 per cent. In several countries it was much higher.

Gorbachev postpones visit to Prague

By Our Foreign Staff

MR MIKHAIL Gorbachev, the Soviet leader, yesterday postponed a visit to Czechoslovakia, due to begin today because of a "slight cold." The trip will now take place later this week, Czechoslovak officials said.

Mr Roman Narozny, deputy Czechoslovak Foreign Minister, told a news conference in Prague that Mr Gorbachev would arrive "in the second half of this week" but declined to give exact dates.

"In view of the slight cold contracted by Comrade Gorbachev, both sides recognised the second half of this week as the most suitable time for the visit," Mr Narozny said.

The last-minute postponement of a visit which had been announced well in advance led to speculation of tension between Moscow and Prague over the pace of reform in highly conservative Czechoslovakia.

Mr Gorbachev is understood to disapprove of recent developments in Prague. These include the appointment of hardline officials to the leadership and speeches by Mr Gustav Husak, the Czechoslovak leader, suggesting a cautious attitude to Mr Gorbachev's political and social reforms in the Soviet Union.

Mr Vasil Bilak, chief ideologist of the Czechoslovak Communist Party, has equated Czechs enthusiastic about the Soviet reforms with "anti-socialist" elements active under the reformist rule of Mr Alexander Dubcek in Czechoslovakia in 1968.

The sensitive issue of what Mr Gorbachev was to say in his scheduled public speeches is also understood to have become a bone of contention. The Czechoslovak leadership is said to have

Continued on Page 26

CDU snatches control of Hesse ousting SPD

BY HAIG SIMONIAN IN WIESBADEN

WEST GERMANY'S Christian Democrats (CDU) in coalition with the liberal Free Democratic Party (FDP), yesterday overturned 40 years of Socialist rule in the West German Hesse state, to take control by a narrow margin.

With 47 seats for the CDU and nine for the Free Democratic Party, the coalition now has 56 seats against the combined total of 54 for the SPD and the Greens environmental party.

Final results gave the Christian Democrats, led by Mr Walter Wallmann, a former mayor of Frankfurt, 42.1 per cent of the votes – giving them three more seats in the state parliament in Wiesbaden.

The SPD took 40.2 per cent of the poll, 6 per cent down on 1983, resulting in a loss of seven seats.

Barring unforeseen events, the CDU-FDP coalition is likely to take power when the reconstituted state parliament reconvenes on April 23.

The outcome will also help to ensure the CDU's majority at national level in the Bundesrat, the second chamber of the Federal Parliament.

The SPD's former coalition partners, the Greens, increased their share of the votes to 9.4 per cent compared with 8.3 per cent in January's general elections, giving them an increase of three seats to 10 in the state parliament.

However, the Green's considerable success was not enough to make up for the fall in Socialist support.

"I'm really pleased with this result," said Mr Joschka Fischer, a leading Green politician, who was Environment and Energy Minister in the previous "red-green" coalition.

However he conceded: "I would have prefered a clearer vote for the coalition."

Both the CDU and the Greens made gains at the SPD's expense in urban constituencies in particular while the Greens registered an especially large boost in Hanau, the site of the controversial nuclear fuel rod plant which originally caused the collapse of the previous coalition.

The SPD seems to have been hurt by a variety of factors, including the brusque manner in which the previous coalition with the Greens fell apart at the institution of Mr Holger Börner, the SPD minister president of Hesse, in February. The party also appears to have suffered from the consequences of its recent internal wranglings in Bonn.

The SPD seems to have been badly hit by a fall in turnout. Some 78 per cent of the electorate voted on a fine spring day, against 83.5 per cent in the last state election in Hesse, which has a long record of over 80 per cent turnout.

Where Hesse goes from here will not be decided until April 23 at the earliest, when the reconstituted parliament meets for the first time. Whatever happens, Mr Börner, who had handed over the reins for the polls to Mr Hans Krollmann, Hesse's Finance Minister, will remain in office as minister president until the opposition can muster up a majority to unseat him.

Meanwhile, the parties are already thinking of coalition arithmetic. Mr Rudi Arndt, a former socialist mayor of Frankfurt, has even suggested a threeway link between SPD, FDP and Greens. That is unlikely, but it looks as though the talks on forming a new government in Hesse – which are expected to be difficult at best – will be even more so now.

UK draws up list of possible Japanese telecom targets

BY TERRY DODSWORTH AND DAVID THOMAS IN LONDON AND IAN RODGER IN TOKYO

THE DEPARTMENT of Trade and Industry is drawing up a list of ways to retaliate against the Japanese telecommunications industry as part of a growing trade row.

The move follows Japan's reluctance to allow Cable and Wireless, the UK telecommunications company, a significant stake in Japan's international telecommunications market.

The drawing up of the list is part of a general exercise by the department to draw up proposals for possible retaliatory measures over the C and W issue. Telecommunications, however, is considered within the department to be one of the prime candidates for retaliation because it is the subject of the C and W dispute.

Plans for retaliation also come against the background of threats by Britain to refuse new licences for Japanese banks and insurance companies wishing to operate from London unless Tokyo takes early steps to narrow the trade balance between the two countries.

In Tokyo today, Mr Michael Howard, the Consumer Affairs Minister, begins discussions with Japanese ministers on the telecommunications issue and other trade matters, including access for British companies to Japan's financial markets.

Meanwhile, the war of words with Japan over trade is having no effect, according to a leading Japanese trade official.

Mr Makoto Kuboda, vice minister of Japan's Ministry of International Trade, told a UK business TV programme last night that the Japanese did not take the British threats over bank and insurance licences seriously.

Asked on Channel 4's The Business Programme if the British warning was having an effect on the Japanese Government, Mr Kuboda replied: "No, nothing. We are not working under the threat of sanctions."

The C and W row was sparked by Japan's decision that the two rival consortia seeking a licence to operate as the country's second telecommunications carrier should be merged into one unit in which foreigners would be limited to a stake of no more than 3 per cent. C and W has a 20 per cent stake in International Digital Communications (IDC), one of the two rival groups.

Japanese equipment manufacturers have significant shares of parts of the UK telecommunications market, one of the few relatively open telecommunications markets in Europe.

One option being considered by the Department of Trade and Industry, which has been advised by the Office of Telecommunications, the industry's regulatory body, is to revoke approvals given to Japanese companies to sell telecommunications equipment in the UK.

The 1984 Telecommunications Act gives the Trade and Industry Secretary the power to revoke these approvals. They have been given to Japanese companies to sell equipment such as telephones, private exchanges mainly for smaller companies, radio telephone equipment and facsimile equipment.

The UK Government could stop or delay the approval of new Japanese equipment seeking entry into the market. Recently, the DTI delegated to Oftel its power to grant these approvals, but it believes it could take back that power for Japanese equipment alone.

Howe fails to win EEC support, Page 2

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John Cleese, of Monty Python fame, talks to Michael Skapinker, Page 14

Tokyo in fresh claims on chip pact

By Ian Rodger in Tokyo

JAPAN will bring fresh evidence that it has been enforcing the eight-month-old semiconductor agreement to initial meetings with US trade officials today in Washington.

But Japanese trade officials doubt that the US will be willing to abandon its plan to impose sanctions on Japan later this month for alleged violations of the pact.

Officials at Japan's Ministry of International Trade and Industry (Miti) believe that the political demand in the US for action against Japanese trade practices is so strong that the Administration will not be able to back down from its decision to put 100 per cent tariffs on a range of Japanese electronic products.

The bilateral chip pact agreement was aimed at preventing Japanese producers from dumping chips in the US and third markets and at helping US companies increase their sales in the Japanese market. US producers have complained that Japanese companies have continued to dump chips in third markets while the Japanese market has remained difficult to crack. Tokyo says the agreement has not been infringed. Miti claimed last month that its investigation of the important Hong Kong market in February had shown that prices of 256k dram chips had risen from less than $1.80 to about $2. Miti however found that there was still considerable "grey market" activity — Japanese chips being sold through unofficial channels at low prices.

Miti said last month that it was confident that the 15 per cent production cuts it had imposed on Japanese producers in mid-February would soon eliminate the excess supply of chips that was feeding the grey market.

Britain's threats have taken other members by surprise, **Quentin Peel** reports

Howe fails to win EEC backing on Japan

Sir Geoffrey Howe

SIR GEOFFREY HOWE, the British Foreign Secretary, yesterday failed to win the clear endorsement of his EEC partners for threatened British trade sanctions against Japan —on the grounds that they must be properly considered by trade experts.

The British threats of possible measures aginst Japanese financial institutions have taken other EEC members by surprise —particularly because the UK has in the past blocked any hint of such action

The whole subject of trade relations between the 12 member states and Japan is however, back at the top of the agenda for national trade officials meeting in Brussels.

Sir Geoffrey raised the latest British concern over perceived Japanese discrimination against Cable and Wireless, the British telecommunications company seeking to gain a foothold in the Japanese market, at the weekend informal meeting of EEC Foreign Ministers.

His move for an expression of solidarity seems to have been politely dismissed as inappropriate in such a forum—intended to provide a wide-ranging debate on East-West relations, the Middle East, and relations with the US.

Mr Leo Tindemans, the Belgian Foreign Minister who hosted the gathering at Corsendonck Priory, outside Antwerp, insisted that Japan had been discussed in the context of the US-Japanese trade row

He said all related matters, including possible defences in the form of anti-dumping duties and increased customs tariffs, had been referred to the expert committee responsible. Sir Geoffrey's appeal was simply included in that.

Ian Rodger examines Japanese officials' concern created by the Cable and Wireless dispute

Tokyo ministry fears reprisals over telecoms scheme

JAPAN'S Ministry of Posts and Telecommunications (MPT) fears reprisals from other countries if it approves a scheme, in which the UK's Cable and Wireless has a leading role, to establish an international telecoms service outside the existing framework for co-operation in this field.

The MPT remains willing, however, to receive an application for a licence for that scheme if the two consortiums competing for the franchise for Japan's second international telecoms service are unable to complete a revised merger plan agreed last week.

Both the US and British governments have protested at the highest level that the MPT's decision-making process has seemed to discriminate against foreign companies, despite stated Japanese policy to open its markets to foreigners.

Mr Koichiro Nagasawa, policy adviser in the MPT's telecommunications bureau, made clear that the presence of C and W in the International Digital Communications (IDC) consortium (it has a 20 per cent stake) was not in itself the cause of the ministry's long opposition to IDC.

Rather, it was the proposal that IDC become part of C and W's planned Global Digital Highway, an independent international telecoms system.

Mr Nagasawa pointed out that the existing system for international telecommunications was based on multilateral agreements among telecoms carriers to build and operate undersea cables and space satellites.

"We have had informal talks with some foreign carriers, and they fear that the IDC plan might put the system out of balance," he said.

The presence of C and W in the IDC plan was an additional and potentially destabilising factor because, up to now, no carrier had ben involved on more than one side of a major agreement, he added.

He acknowledged that the 1985 Japanese legislation providing for the so-called second KDD allowed up to one-third participation by foreign companies.

The ministry welcomed the participation of ordinary foreign companies, "But we did not expect international carriers to become involved. We assumed they would want to remain equal partners from their bases in their own countries."

It was unfortunate that the policy opposing participation by carriers had to be clarified after the law had been enacted, but Mr Nagasawa said the MPT had made its opposition to the IDC plan clear from an early stage.

There were two grounds for that opposition — the first was a fear that the IDC plan was too adventurous at this stage. "Japan is still in its infancy on opening its telecommunications markets.

"Although we have a well-established international carrier (Kokusai Denshin Denwa, or KDD), we are concerned about whether we should set out on this new type of venture before others have tried it.

"We think the risk is too high. We want the existing international modus operandi to continue. We want the new carrier to work in harmony with carriers around the world."

Asked why the US and UK authorities, who have already approved parts of the Global Digital Highway project, did not seem to have similar concerns, Mr Nagasawa said he was not in a position to comment in detail on the situations in those countries.

However, he pointed out that the US Federal Communications Commission had put conditions related to the US national interest on its approval of the relevant Atlantic and Pacific cable projects.

The MPT's second concern was that the venture might not succeed. "We want a second KDD that will compete effectively with KDD and maintain a sufficient volume to realise the objectives of the law — which are better services and cheaper tariffs for customers. We do not want someone whose success we have to worry about.

"We are not saying that the Global Digital Highway, which is a novel project, will not be successful. But we do not have anything to judge it by."

Both IDC and its competitor, International Telecommunications Japan (ITJ), have published highly-optimistic forecasts of growth in Japan's international telecoms market.

IDC has used its forecast as a basis for suggesting that the MPT should give licences to both applicants. The MPT, on the other hand, has indicated its opposition to issuing two licences and has encouraged the merger between the two groups.

Mr Nagasawa said he did not necessarily disagree with those market forecasts. Certainly, KDD's business was growing rapidly. But he suspected the consortia were being too optimistic that revenues would grow at rates similar to those for traffic.

"The companies say they have price-cutting in mind, but they also want high profits. Maybe they are hoping that prices will not go down as much as we foresee."

The MPT had not excluded the idea of considering two applications or of issuing two licences, but he noted that the majority of companies in the two consortia felt it would not be good to issue two licences. "They think the probability of success would be higher if there was only one."

IDC has claimed that because its facilities would be independent; it would be better placed to realise the MPT's objective of providing real competition for KDD. It says ITJ will be dependent on KDD.

The ITJ consortium plans to negotiate a permanent sub-lease of some of KDD's capacity in a new trans-Pacific cable and deal directly with Intelsat and other existing multilateral carriers.

Mr Nagasawa was dubious about the significance of ITJ's alleged greater independence. "There is a possibility that IDC will provide a new style and be more competitive on the world market, but whether it will be successful is another matter. The thing is, we want a successful competitor for Japan, which may be a different objective from theirs."

In any event, he said, the MPT, although it still had concerns, had accepted the compromise merger proposal made last week by the leading Japanese companies.

Under that proposal, C and W would be a core shareholder, with a shareholding equal to that of seven other core shareholders and the right to appoint executive directors.

"I am sure this proposal has taken the international situation into account, and we would like to see the companies come to a conclusion on a plan at the earliest possible time."

The Japanese Ministry of International Trade and Industry (Miti), has decided to buy a multimillion-dollar US supercomputer as part of efforts to ease US-Japan trade frictions, AP reports from Tokyo.

The Asahi Shimbun newspaper said the supercomputer, from Cray Research, would be the first bought by a Japanese government agency.

It also would be the second announcement of a Japanese purchase of a US supercomputer since the US announced on March 27 it would impose penalty duties on up to $300m worth of Japanese electronic goods.

In imposing the duties, the US accused Japan of failing to comply with an accord on computer chip pricing and sales. Japan has denied the charge.

Funaro to hold debt talks in New York

By Anne Charters in Sao Paulo and Ivo Dawnay in New York

MR DILSON FUNARO, the Brazilian Finance Minister, is due to arrive in New York tomorrow for talks with the US Government and senior creditor banks on proposals to relieve his country's $104bn (£65bn) debt burden.

But bankers in New York believe there will be little willingness to help Brazil until the Government produces a comprehensive strategy to deal with its domestic economic problems, soaring interest rates and hyper-inflation.

Negotiations on a debt rescheduling between Mr Francisco Gros, the Brazilian central bank president, and the 14-member committee of creditor banks are scheduled to resume on Friday.

Mr Funaro is expected to meet senior bankers in New York before attempting to rally support from fellow politicians at this week's interim meeting of the International Monetary Fund (IMF) in Washington. But he appears determined to keep his distance from the talks with the bank committee to remain consistent on his point of principle that a political solution to the debt question is needed.

Since Brazil indefinitely suspended its interim payments on some $68bn of medium and long-term loans in February, little progress has been made on how to resolve the crisis. Last week, Mr Funaro outlined a strategy on debt to Brazil's ruling Democratic Movement Party (PMDB).

It stated that the country would need about $20bn in new money over the next five years to achieve target growth averaging 7 per cent annually. foreign creditors

The plan, which received a mixed reception from politicians, had little to satisfy

There is considerable concern among the larger banks that smaller creditors might attempt to write off their liabilities rather than come forward with new money. Last week several leading US banks began reducing the status of their Brazilian loans to a "non-accrual" basis after US Government regulators declared the country's credit rating to be "sub-standard."

Some Bankers believe that if next Friday's meeting had not been announced promptly certain banks might have demanded that the authorities take action against Brazilian banks in the US

The next deadline falls on April 15, when rolled over 1986 interest again falls due.

Argentine police break up anti-Papal demonstration

BY TIM COONE IN BUENOS AIRES

AN anti-Papal demonstration in the centre of Buenos Aires was broken up at the weekend by riot police using water cannon.

The demonstration was organised by a hitherto unknown anarchist youth movement just a day or so before the arrival of Pope John-Paul II in Argentina

About 1,000 youths gathered in the middle of a bustling downtown cinema district and began chanting anti-Papal and anti-ecclesastical slogans and distributing leaflets in opposition to the Pope's visit. The crowd was joined by hundreds of other youths until the police intervened.

Responding with stones and bottles, the youths dispersed after each charge and quickly re-grouped nearby.

Transkei expels white officers

BY ANTHONY ROBINSON IN JOHANNESBURG

A GROUP of former whit Rhodesian army officers and Selous Scouts who for the last five years have master-minded the development of the Transkeian army were expelled from the nominally independent black homeland over the weekend.

Their arrest early on Friday and subsequent expulsion appears to be the latest twist in the long running feud between Transkei and the neighbouring Xhosa-speaking homeland of Ciskei. The two are separated by a narrow corridor of "white" South Africa.

The advisers' expulsion follows a visit to Umtata, the Transkeian capital, two weeks ago by a top level South African delegation. Its mebers included Mr Pik Botha, the Foreign Minister, General Magnus Malan, the Defence Minister and Mr Adriaan Vlok, the Minister for Law and Order. They went to Umtata as part of a long running South African diplomatic effort to mediate between the leaders of the two feuding homelands.

The feud first broke into the open last September when two groups of armed white men, believed to be former Selous Scouts working for the Transkei defence force, freed Mr Charles Sebe the former Ciskeian minister of security from a Ciskeian prison and took him back to the Transkei.

Food trucks enter besieged Palestinian refugee camp

SIX TRUCKS laden with food, clothes and blankets donated by Kuwait drove into a besieged Palestinian refugee camp in Beirut yesterday, Reuter reports from Beirut.

Syrian military observers watched as the supplies, given by the Kuwaiti Government and Red Crescent, were delivered to Bourj al-Barajneh, where Shi'ite Moslem Amal militiamen have blockaded at least 12,000 refugees for the last five months.

It was the fifth relief convoy to reach Bourj al-Barajneh. An attempt to supply 4,000 refugees in the nearby Shatila camp ended in bloodshed on Friday when a truck carrying food provided by Saudi Arabia was destroyed by a rocket.

Two children were reported killed and seven wounded in the attack.

EEC to press on with capital liberalisation

BY QUENTIN PEEL IN BRUSSELS

Finance ministers of the EEC have set themselves a timetable for the final phase of liberalising capital movements between the 12 member states and reinforcing the operations of the European Monetary System linking their currencies.

A broad measure of agreement emerged at weekend talks in the Belgian seaside resort of Knokke on the need for closer co-ordination of monetary policy in the Community, including the use of interest rate differentials to preserve currency stability within the EMS.

The Finance Ministers also agreed on the need to "dedramatise" realignments between the currencies within the EMS exchange rate mechanism, and discourage speculators in the foreign exchange markets.

There was considerably more consensus among the 12, however, on the need to press ahead with full freedom of capital movements, than on the precise ways of strengthening the EMS.

Mr Mark Eyskens, the Belgian minister currently in the chair of EEC Finance Ministers' meetings, announced that the monetary committee of senior Treasury and central bank officials, and the committee of the central bank governors of the EEC, would produce proposals for reinforcement of the EMS in June.

He said that, in turn, the European Commission in October would propose measures for the final liberalisation of capital movements to include all purely financial transactions, as well as the trade-related payments already liberalised.

Mr Jacques Delors, the European Commission President, argued that the final phase of liberalising capital movements—implying the integration of financial markets throughout the Community—could only be done in conjunction with measures to reinforce the EMS.

There is virtual unanimity among the 12 that such reinforcement includes the full entry of sterling into the exchange rate mechanism of the EMS, but Mr Nigel Lawson, the British Chancellor of the Exchequer, insisted after the meeting that his colleagues now accept "this is most unlikely to occur this side of a (British) general election."

Mitterrand may stand for second term

By David Housego in Lille

THE FRENCH Socialist party ended its three-day congress at Lille yesterday, having apparently resolved its difficulties over the choice of candidate for next year's presidential election and determined to give a distinctive left-wing image to its campaign platform.

The expected drafting this week of a cluster of former socialist ministers onto the party's ruling national secretariat is likely to ensure that policies remain geared to a return to power and attracting centrist voters.

Two of the most left-wing members of the leadership—Mr Jean Poperen, the Number Two in the party, and Mr Jean-Pierre Chevenement, the former Minister of Education—are unlikely to be included in the new secretariat, which runs the party's day-to-day affairs.

A formal decision over the candidature was avoided, but the tumultuous applause that accompanied references to Mr Mitterrand — along with his own increasingly active political agenda — is building up a momentum towards his standing for a second term.

If he should decide against this, Mr Michel Rocard, former Minister of Agriculture, was implicitly designated by the congress as its second choice.

The congress took place against the buoyant mood of a party convinced it stands a chance of winning next year's presidential contest.

Reflecting this feeling, Mr Lionel Jospin, the first secretary, proclaimed they would return to power because of the divisions in Mr Jacques Chirac's right-wing coalition and their own strength.

The congress showed clearly where it wanted the emphasis in the platform to be put. In economic terms, it wanted to penalise the gains made on the French stock market, with the restoration of a wealth tax.

But much of the pressure centred on reversing Mr Chirac's record on social and human rights issues—maintaining a social welfare system that protected the less well-off, according guaranteed citizenship to second-generation immigrants, and preventing high-handed action by the police.

Peter Wise and Diana Smith assess the crisis caused by the Lisbon Government's fall

Soares under pressure for early elections

PRESIDENT Mario Soares will begin consultations today to resolve the crisis provoked by the fall of Portugal's conservative Government, under strong pressure to call a general election more than two years ahead of schedule.

The political upheaval caused by the collapse of the 17-month-old government has overshadowed a state visit by President François Mitterrand of France who arrives today for talks aimed at strengthening Portugal's role within the EEC.

Prime Minister Anibal Cavaco Silva, whose Social Democrat Government was brought down on Friday by an opposition censure motion, is expected to hand his resignation to Mr Soares today and press for an early election.

But the centre-left Democratic Renewal Party (PRD) that presented the motion will almost certainly urge the President to sanction the formation of a left-wing coalition led by the Socialists, the main opposition party, from within the existing parliament.

The Socialist and Communist parties backed the motion to defeat the Government, supported by the small Christian Democrat party, by 134 votes to 108.

President Soares . . . opposed to Communists

Mr Cavaco Silva . . . resignation likely today

However, Mr Vitor Constancio, the Socialist leader, has made clear his reluctance to head an insecure coalition with a rival party fighting for the same political ground.

The PRD, led by former President Antonio Ramalho Eanes, accused the Social Democrats of failing to make structural reforms needed for modernisation and seeking to restore a powerful capitalist élite by "concentrating capital in the hands of a few and subordinating political to economic power."

But Mr Cavaco Silva said the censure motion was an attempt by the PRD to assert itself over the bigger Socialist party in what he called "a political game . . . of provoking a crisis to find out who leads the opposition."

The Prime Minister, increasingly popular after leading the country out of a deep economic recession, is pressing for an election to be held simultaneously with voting in Portugal for the European Parliament. Social Democrat leaders have indicated July as a suitable date.

Mr Cavaco Silva, a champion of free enterprise, is widely credited with restoring investors' confidence in an economy that has expanded at one of the fastest rates in Europe over the past 18 months, in a recovery fuelled by cheaper oil and a weaker dollar.

An opinion poll published the day after the censure vote forecast that the Social Democrats, currently holding just over a third of the parliamentary seats, could increase their share of the vote from 30 to 45 per cent, giving them between 125 and 130 of the 250 seats. Almost 60 per cent of those questioned favoured an early election.

Mr Soares, a former Socialist leader and three times Prime Minister, has repeatedly expressed his oposition to the political and economic costs of an early poll

A left-wing coalition, however, would have to rely on support of the hard-line Communist Party to survive

Mr Soares, who led a successful stand against the Communist bid for power following the 1974 revolution, is firmly opposed to allowing the pro-Soviet party any influence in government.

So is the 85 per cent of the electorate that does not vote communist. Should Mr Soares or Mr Constancio give in to pressure to set up a communist-backed opposition coalition, the President's prestige could suffer seriously.

When elections eventually occur, Mr Constancio and the Socialists could expect to pay a heavy forfeit for cobbling together a non-elected government

Ex-President Eanes' bid for a share in power is a threat to the prestige of his two arch-rivals, Mr Soares, who has clashed for years with the former Head of State, and the Socialists who lost ground in 1985 to the PRD and had just begun to regain it.

The censure vote also served to punish Mr Cavaco Silva for his adamant refusal to reward PRD tactical support in Parliament in 1986 with jobs or legislative compromise. Mr Cavaco Silva has been unshakable in his belief that his party must go it alone, towards a day when it can win a clear majority.

The timing of the censure vote has led some political analysts in Lisbon to suggest that, in the long run, Gen Eanes may have done Mr Cavaco Silva a favour by provoking, sooner rather than later, a crisis likely to reward the ousted Social Democrats and punish the left when elections do come.

Christian Democrats may end support for Craxi

BY JOHN WYLES IN ROME

ITALY'S political crisis moves into a probably decisive phase this week amid maximum confusion. Open warfare between the two major governing parties, the Christian Democrats and the Socialists, means that the government led by the Socialist Mr Bettino Craxi may fall before it faces parliament in a vote of confidence on Wednesday or Thursday.

Although the vote has been requested by President Francesco Cossiga, the Christian Democrat leadership which meets today will discuss withdrawing the party's ministers from the Government before the parliamentary vote.

This is likely to precipitate an early general election unless the Socialists could persuade the President that there is a parliamentary majority against early elections and in favour of holding referenda on nuclear energy and judicial reform. However, such a majority, which would include the Communist party and the far-left, would be unlikely to be able to sustain a coherent government.

In his closing speech to the Socialist Party's Congress in Rimini, Mr Craxi yesterday vaguely endorsed the idea of a "referendum majority" which was floated on Saturday by Mr Claudio Martelli, his party's vice-secretary. He stressed that he would hand over the premiership to a Christian Democrat for the remainder of this legislature until June, 1988, if only the Christian Democrats would drop their opposition to the referenda. Under the Italian constitution, referenda cannot be held in the same year as a general election.

The parties have debated this point several times and a concession at this late stage by Mr Ciriaco De Mita, the Christian Democrat leader, would be a severe blow to his authority and his party's standing.

However, neither party seems ready to turn to the Communists as an alternative, least of all Mr Craxi who was re-elected for the fifth time as Socialist leader on Saturday

Hussein due in Brussels today

By Andrew Gowers

KING HUSSEIN of Jordan is due to visit Brussels today for talks with the Belgian Government, which currently holds the EEC presidency, on the prospects for an international conference on the Middle East.

The king is trying to underline his wish that Europe should take a stronger role in the Middle East peace process, in the absence of any action by the US.

He is also planning to pay a private visit to London later in the week.

To emphasise his displeasure with the US, he has turned down an invitation from President Ronald Reagan to visit Washington.

Tindemans to visit Mid-East

BELGIUM'S Foreign Minister, Mr Leo Tindemans, is to visit Jordan, Egypt, Saudi Arabia and Israel this month on behalf of the European Economic Community, as part of moves to gain support for an international peace conference on the Middle East, Reuters reports from Brussels.

Mr Tindemans, who will travel as current president of the Community's Council of Ministers, said he would not visit Syria.

EEC states declared their support for a peace conference, to be held under United Nations auspices, in February. At that time, Mr Tindemans said he would make the trip only if he received assurances of serious willingness to negotiate.

Expulsions unlikely to hit Chirac's Moscow visit

BY DAVID HOUSEGO IN PARIS AND PATRICK COCKBURN IN MOSCOW

THE EXPULSION of six French officials from the Soviet Union was seen yesterday as unlikely to put at risk the planed visit of Mr Jacques Chirac, the French Prime Minister, to Moscow in May.

An official statement from the Ministry of Foreign Affairs regretted the move which it described as an act of "pure retaliation against four diplomats and two representatives of French economic interests who had been solely carrying out their official dutites.

The expulsions were in response to the French Government ordering the departure from Pairs of six Soviet diplomats accused of espionage activities.

Three of these expulsions were revealed on Thursday but a further three were kept secret until yesterday in an effort to prevent a worsening of relations with the Soviet Union.

Among the three expeled on Thursday was Mr Valeri Konorev, the assistant air attache, who is said to have managed the recently-discovered network gathering intelligence on the motors of the Ariane space rocket and other French high-technology industries in Normandy.

French officials believe the Soviet Union has responded on a tit-for-tat level by choosing French officials of comparable rank to the Russians expelled.

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CYANAMID HOLDINGS, INC.

(Incorporated in the State of New Jersey, United States of America)

(the "Company")

NOTICE OF MEETING

of

the holders of the outstanding 9 per cent. Notes due 1991 of the Company

(the "Noteholders" and the "Notes" respectively)

guaranteed as to payment of principal and interest by

AMERICAN CYANAMID COMPANY

(Incorporated in the State of Maine, United States of America)

(the "Guarantor")

INFORMATION ABOUT THE PROPOSALS

1. The purpose of the Meeting is to approve by Extraordinary Resolutions as set out below the substitution of Cyanamid Holdings Company ("CHC") for the Company as principal debtor under the Notes and the interest coupons appertaining thereto (the "Coupons"), the excusing of the Company from its obligations under the Notes and the Coupons and the amendment of Condition 15 of the Terms and Conditions of the Notes ("the Conditions") printed on the reverse thereof to permit further substitutions. CHC is an unlimited company which is a direct wholly-owned subsidiary of the Company and an indirect wholly-owned subsidiary of the Guarantor.
2. The attention of Noteholders is drawn to Condition 15 under which any subsidiary of the Guarantor may be substituted for the Company as principal debtor under the Notes provided that (a) the Guarantees of the Guarantor shall remain unaffected, and (b) arrangements shall have been made by the Company, the Guarantor and the substitute debtor so as to ensure that the Noteholders shall have the benefit of covenants of the substitute debtor on terms substantially similar to those given by the Company under the Notes, and, unless the substitute debtor is Cyanamid of Great Britain Limited ("CGBL") which will make payments from a place of business in the United Kingdom, such arrangements shall have been approved by Extraordinary Resolution of the Noteholders.
3. The attention of Noteholders is also drawn to Condition 13, and to the provisions of the Fiscal and Paying Agency Agreement (as defined in Condition 1), by virtue of which a meeting of the Noteholders has power, exercisable by Extraordinary Resolution (as defined in the Fiscal and Paying Agency Agreement) to sanction any proposal by the Company or the Guarantor for the modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Noteholders and/or the Couponholders against the Company or the Guarantor and to sanction any compromise or arrangement proposed to be made between the Company, the Guarantor and the Noteholders and the Couponholders or any of them.
4. *Arrangements have been made, subject to the passing of the requisite Extraordinary Resolution and the giving of the requisite notice, for* CHC to execute an instrument (the "Instrument") under which it will give covenants for the benefit of Noteholders and the Couponholders on terms substantially similar to those given by the Company under the Notes and the Coupons and for a Supplemental Fiscal and Paying Agency Agreement to be entered into under which CHC will be substituted for the Company under the Fiscal and Paying Agency Agreement.
5. The terms of the Extraordinary Resolutions are effective under the laws of the State of New York, United States of America (under which the Guarantees of the Guarantor are governed and construed), to extend the Guarantees to cover the obligations of CHC (and any subsequently substituted principal debtor) under the Notes and the Coupons without any additional action needing to be taken. In addition, arrangements have been made for the Guarantor to confirm, in the Supplemental Fiscal and Paying Agency Agreement referred to above, that the Guarantees shall remain unaffected and shall continue in full force and effect notwithstanding the substitution of CHC as principal debtor or any subsequent substitution of the principal debtor.
6. Noteholders and Couponholders should consult with their professional advisers as to whether the proposed substitution may result in any tax consequences with respect to their holdings of Notes and Coupons.
7. Copies of the Fiscal and Paying Agency Agreement and drafts of the Instrument and the Supplemental Fiscal and Paying Agency Agreement, all as referred to above, are available for inspection by Noteholders at the specified offices of the Paying Agents set out below and will also be available for inspection at the Meeting.

NOTICE OF MEETING OF NOTEHOLDERS

NOTICE IS HEREBY GIVEN that a *Meeting* of the Noteholders convened by the Company will be held at The Durham Room, The Connaught Rooms, 61-65 Great Queen Street, London WC2 England, on Wednesday, 29th April, 1987 at 11 a.m. (London time) for the purpose of considering and, if thought fit, passing the following Resolutions which will be proposed as Extraordinary Resolutions in accordance with the provisions of the Fiscal and Paying Agency Agreement dated 20th May, 1986 made between the Company (1), the Guarantor (2), Morgan Guaranty Trust Company of New York (the "Fiscal Agent") (3) and the Paying Agents named therein (the "Paying Agents") (4):—

EXTRAORDINARY RESOLUTIONS

1. THAT this Meeting of the holders of the outstanding 9 per cent. Notes due 1991 of Cyanamid Holdings, Inc. (the "Notes" and the "Company" respectively) guaranteed by American Cyanamid Company (the "Guarantor") hereby:—
   (a) sanctions and approves the arrangements proposed by the Company, the Guarantor and Cyanamid Holdings Company ("CHC") (and referred to in paragraph 4 of "Information about the Proposals" in the Notice dated 6th April, 1987 relating to the Notes published by the Company in the Financial Times and the Luxemburger Wort, a copy of which has been produced to this Meeting and initialled by the Chairman hereof for the purposes of identification) for the substitution of Cyanamid Holdings Company for the Company as principal debtor under the Notes and the Coupons and the excusing of the Company from its obligations under the Notes and the Coupons, all in accordance with Condition 15, and the provisions referred to in Condition 13, of the Terms and Conditions of the Notes;
   (b) sanctions every modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Noteholders and/or the Couponholders against the Company or the Guarantor, and every compromise or arrangement between any of them, involved in or resulting from the implementation of this Extraordinary Resolution or the arrangements which it sanctions and approves; and
   (c) expressly reserves all rights against the Guarantor with respect to its obligations under the Guarantees.
2. THAT this Meeting of the holders of the outstanding 9 per cent. Notes due 1991 of Cyanamid Holdings, Inc. (the "Notes" and the "Company" respectively) guaranteed by American Cyanamid Company (the "Guarantor") hereby:—
   (a) assents to the modification of the Terms and Conditions of the Notes which has been proposed by the Company and under which the following sentence will be added at the end of Condition 15 of the said Terms and Conditions:—

      "Following any substitution effected in accordance with this Condition, further substitutions (which may include substitutions in respect of both the Notes and the Coupons) may be effected from time to time on the same terms mutatis mutandis as those set out in this Condition as though references to "the Company" were references to the then principal debtor and on the basis that no approval of arrangements by Extraordinary Resolution of the Noteholders shall be necessary for any substitution of Cyanamid of Great Britain Limited, Cyanamid Holdings Company or Cyanamid Holdings, Inc.";

   expressly reserving, however, all rights against the Guarantor with respect to its obligations under the Guarantees; and
   (b) sanctions every modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Noteholders and/or the Couponholders against the Company or the Guarantor, and every compromise or arrangement between any of them, involved in or resulting from the implementation of this Extraordinary Resolution or the modification of the said Condition 15.

VOTING AND QUORUM

1. A Noteholder wishing to attend and vote at the Meeting in person must produce at the Meeting either the Note(s), or a valid voting certificate or certificates relative to the Note(s), in respect of which he wishes to vote.

   A holder not wishing to attend and vote at the Meeting in person may either deliver his Note(s) or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction in favour of a proxy (on the form obtainable from any of the Paying Agents at its specified office listed below).

   Notes may be deposited with the Fiscal Agent or any Paying Agent or (to the satisfaction of such Paying Agent) held to its order or under its control by CEDEL S.A. or the operator of the Euro-clear System or any other person approved by it for the purpose of obtaining voting certificates or appointing proxies until the time being 48 hours before the time fixed for the Meeting (or, if applicable, any adjourned such Meeting). Notes so deposited or held will be released at the conclusion of the Meeting (or, if applicable, any adjourned such Meeting) or upon surrender of the voting certificate(s) or, not less than 48 hours before the time for which the Meeting (or, if applicable, any adjourned such Meeting) is convened, the voting instruction receipt(s) issued in respect thereof.
2. The quorum required at the Meeting is two or more persons present holding Notes or voting certificates or being proxies and holding or representing in the aggregate a clear majority in aggregate face value of the Notes for the time being outstanding. If a quorum is not present at the Meeting, the Meeting will be adjourned and the Extraordinary Resolutions will be considered at an adjourned Meeting (notice of which will be given to Noteholders). The quorum at such an adjourned Meeting will be two or more persons present holding Notes or voting certificates or being proxies whatever the aggregate face value of the Notes held or represented by them.
3. Every question submitted to the Meeting shall be decided in the first instance on a show of hands and unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman of the Meeting or by one or more persons holding Notes or voting certificates or being proxies and being or representing in the aggregate the holders of not less than one-fiftieth in aggregate face value of the Notes then outstanding a declaration by the Chairman of the Meeting that a resolution has been carried or carried by a particular majority or lost or not carried by any particular majority shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution. On a show of hands every person who is present in person and produces a Note or voting certificate or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each £1,000 in principal amount of the Notes so produced or represented by the voting certificate so produced or in respect of which he is a proxy.
4. To be passed each Extraordinary Resolution requires a majority in favour consisting of not less than three-quarters of the votes cast thereon. If passed, an Extraordinary Resolution will be binding upon all the Noteholders whether present or not present at the Meeting and upon all the Couponholders and each of the Noteholders and Couponholders shall be bound to give effect thereto accordingly.

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By Order of the Board of
Directors of Cyanamid
Holdings, Inc.
D. Barwell, Secretary

Dated: April 6, 1987

OVERSEAS NEWS

Tony Walker assesses the challenge from Egypt's fundamentalists

Islamic values put to polls test

EGYPT'S 14m voters go to the polls today in an election seen as a critical test of strength of the religious right which has campaigned vigorously for a return to traditional Islamic values in a society it believes has been corrupted by Western influence.

While the centrist ruling National Democratic Party of President Hosni Mubarak will almost certainly be returned with a big majority, the Moslem Brotherhood, technically banned from electioneering in its own right, may challenge the right-of-centre New Wafd party as the strongest opposition group in the 458-member People's Assembly (10 representatives are appointed by the president).

The Moslem Brotherhood has joined two "legal" parties, the Socialist Labour party and the Liberals in a tripartite alliance to circumvent the ban on its political activities in force since it was allegedly implicated in an assassination attempt against late President Gamal Abdel Nasser in 1954.

An indication of government concern about the strength of religious fundamentalists has been the frequent warnings in the semi-official Press of the dangers of supporting sectarian elements, which pose a threat to the delicate social balance between Moslems and some 6m Coptic Christians

Government alarm has been heightened by recent communal strife between Christians and Moslems, mainly in upper Egyptian towns where the fundamentalist trend appears strongest.

President Mubarak has warned more than once during the election campaign of the serious consequences of sectarian conflict. The detention at the wekend of a number of Moslem Brothers on the eve of the poll was widely seen as an attempt by the authorities

President Hosni Mubarak: warnings of sectarian conflict

to take some of the steam out of the religious right's campaign.

In the 1984 election, the Moslem Brotherhood aligned with the Wafd, which ruled Egypt on and off between the world wars, won 13 per cent of the vote and 57 seats in parliament. Apart from the ruling NDP which won 391 seats, the Moslem Brotherhood-Wafd Alliance was the only political group to win more than 8 per cent of the vote, the minimum required under Egypt's electoral law to guarantee parliamentary representation.

It is perhaps a measure of the opposition's frustration that as campaigning drew to a close last week, its leaders were questioning the fairness of the poll. In fact, there were pressures to withdraw from the ballot altogether.

Opposition complaints about possible ballot rigging were hardly a self-confident finish to the campaign. The opposition says that its chances of reducing the NDP's majority are constrained by the vagaries of machine politics in Egypt and by the electoral system itself. It has a point.

The electoral law, with its requirement that a party secure 8 per cent of the vote, is weighted against smaller groupings and in favour of the dominant bloc in parliament.

Fuad Serageddin, the 78-year-old leader of the New Wafd and a participant in previous Wafdist governments, described the 1984 election as "pure theatre." Mr Serageddin on this occasion has warned that his party will challenge any attempt by the NDP to manipulate the ballot.

Local commentators say, however, that it is unfair in a country with relatively low rates of literacy and an embryonic democratic system to expect fair elections along Western lines.

While the poll result is wholly predictable and will have the effect of preserving, for the time being, the status quo in Egypt it has, nevertheless, some positive aspects for the opposition.

For a start, the opposition will have broader representation in the new parliament under a new electoral law that allows one independent candidate to stand in each of Egypt's 48 districts.

Opposition figures give the President credit for his decision to respond to a challenge to the validity of the parliament elected in 1984, by calling fresh elections.

Mr Mubarak faces re-election late this year and clearly wishes to avoid any question about the complexion of the parliament that will provide the two-thirds majority to nominate him as a sole candidate to be endorsed in a national referendum, for a further six-year term.

Egypt's President is credited with wanting broader representation in the new parliament as a means of building consensus in support of difficult economic decisions ahead.

Egypt's political process, while it allows considerable freedom compared with surrounding countries, has effectively put barriers in the way of the two potentially most populist trends.

The Nasserists, followers of late President Nasser whose organisation the Arab Socialist Union was first suspended and then outlawed by President Anwar Sadat, do not have legal status.

The 1987 poll will not clarify, therefore, an intriguing question of Egyptian politics which is to what extent a Nasserite party on the left and the Moslem Brotherhood on the right, if they were free to run under their own banners, would challenge Mr Mubarak's NDP, which is far from popular at grasroots. That is a question, it is reasonable to assume, which the barons of the NDP would not wish to have answered soon.

Greece seeks to join WEU

BY ROBERT MAUTHNER AND ANDRIANA IERODIACONOU

GREECE has requested membership of the seven-nation Western European Union (WEU), *created after the* Second World War, which has long been dormant but is currently the object of revived interest as a possible framework for European defence co-operation.

Mr Andreas Papandreou, the Greek Prime Minister, who disclosed Greece's interest in joining the organisation in an interview with the Financial Times, said that, though no "formal" application had been made by Athens, it had asked for membership through diplomatic channels.

"One does not make a formal request unless you know you *are going to get an affirmative* answer," Mr Papandreou said. "But we have suggested it at the level of diplomacy." Indeed, the Greek Prime Minister expressed strong doubts whether the existing member states would agree to Greek membership.

Although Greece's move was made well before the latest crisis in the Aegean, during which a military conflict between Greece and Turkey over oil-drilling rights was narrowly avoided, Athens' request to join WEU must be seen in the context of its long-standing dispute with Ankara.

Greece has been trying for years to obtain some kind of security guarantee from its allies in the event of a war with Turkey, a fundamental Greek concern which overrides all *foreign policy* considerations.

"We belong to a bloc—Nato—which also contains an ally — Turkey — that clearly threatens the territorial integrity and independence of this country," Mr Papandreou said. "This is unique." He had therefore proposed at a meeting of Nato ministers in December 1981 that the Alliance should give an undertaking to come to the aid of any member who was the victim of an attack, not only from the Soviet bloc, but from any aggressor.

The Greek request was turned down in the face of implacable Turkish opposition to the idea of a generalised security guarantee. However, the proposal by Athens to join the WEU must be seen as an attempt to achieve the same end by other means.

Greece Survey, Pages 17-21

Saudis cut oil output

By Max Wilkinson, Resources Editor

SAUDI ARABIA'S return to its former position as the swing producer for the Organisation of Petroleum Exporting Countries' crude oil, is emphasised in the latest figures from the Paris-based International Energy Agency out today.

They show that the kingdom produced only 3.3m barrels per day in March, compared with 3.6m b/d in February. This is 20 per cent below Saudi Arabia's production quota agreed at Opec's last meeting in December 1986.

It is also close to the levels of production which Saudi Arabia declared to be unacceptably low in 1985. Its decision then to push for increased market share was the main factor behind the price war which pushed spot crude down below $10 per barrel last summer.

However, despite strong pressures this year, oil producers appear to have maintained a disciplined front, keeping the world crude price near their target of $18 per barrel.

The IEA's Monthly Oil Market Report shows that Opec's total production fell by about 2m b/d in the first *three months* of the year compared with the average in the final quarter of 1986.

This cut was forced on producers by the preference of refiners to use up stocks of cheap crude rather than buy new supplies at official prices based on an $18 average.

The IEA figures show that the drawing down of stocks accelerated from an average of 1.5m b/d to 2.5m b/d in March. It says that unreported stocks, particularly those at sea, are also likely to have fallen.

The report suggests that Opec's task in preventing another collapse in oil may become a little easier.

In the absence of further changes in stock levels, its calculations suggest that demand for Opec crude could rise in April to June to 16.3m b/d compared with the 15.8m b/d recorded for the first three months of the year.

The big oil companies appear to believe that stock levels have been reduced to more comfortable levels. However, much will depend on market sentiment as demand for oil products slackens in the warmer months ahead.

The IEA report also gives for the first time a definitive picture of the price collapse last year. It shows that the price of oil imported into the developed countries (including insurance and freight) fell from an average of $27.6 in 1985 to an average of $15 last year.

The price halved from $26 in January to $13 in May, hit bottom at $10.7 in July and recovered to $14.1 by September.

The report suggests that despite the rise in prices in the first quarter of this year, demand for oil in the developed world has continued to increase slowly by 1 per cent compared with demand in the same period of 1986. It says this rate of growth is likely to be maintained for the current year if prices stay at present levels.

Cigarette makers back price protest

BY LISA WOOD

EUROPE's major cigarette manufacturers are backing a threat by one international cigarette maker to take the EEC Commission to the European Court of Justice.

They say the Commission has failed to make France conform to EEC laws and allow importers to set their own prices on cigarettes sold in that country.

Philip Morris, the major exporter of cigarettes to France, but not the initiator of the proposed action, said: "Refusal of price increases is causing major problems for manufacturers based in the UK, Holland and Germany.

The issue which has simmered since 1982 is understood to be on the agenda for discussion within the Commission this week.

Cigarette manufacturers exporting to France include Philip Morris, Rothmans International, BAT Industries and R. J. Reynolds.

Brands including Marlboro, Peter Stuyvesant and Winston, command about 45 per cent of the growing French market which is dominated by SEITA, the state monopoly manufacturer.

Under EEC regulations, manufacturers have the right freely to fix minimum retail prices of their cigarettes within general price control limits that may be imposed by a government.

France has never given cigarette manufacturers this right even though virtually all goods and services were decontrolled in January this year.

This is despite a European Court of Justice ruling in 1983 that France should conform with EEC rules.

SHIPPING REPORT

West African activity shows firmer tone

By Terry Dodsworth

WHILE THE world tanker market continued to be characterised by excess capacity last week, activity was reasonably brisk in some areas, particularly in West Africa and the Mediterranean.

According to E. A. Gibson, the London shipbrokers, there are 30 large crude carriers in the ULCC and VLCC class currently looking for cargoes in the Middle East. Rates paid last week varied between Worldscale 27½ for a 255,000 ton cargo destined for Western discharge, and Wolrdscale 29 for the Far East.

Galbraith's of London says that in West Africa the market is beginning to demonstrate an underlying firmness, indicating that more crude oil is up for sale than has been the case recently. Cargoes of around 125,000 to 130,000-ton sizes are obtaining about Worldscale 50 for US discharge from the West African region, says Gibson.

In the Mediterranean, the market managed to obtain gains obtained in the previous week, and a 85,000 tonnes was fixed at Worldscale 80 for a cross-Mediterranean voyage while a 130,000 tonner received Worldscale 55 for a similar voyage.

The dry cargo freight market also maintained its strength, according to Denholm Coates.

European airlines explore computer reservation link

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE MAJOR airlines in *Western Europe are studying* a plan to create an "umbrella" computer reservations system.

This would enable them to link their individual systems and pervent domination of the market by any one or two of the big systems, such as those from the US.

The Association of European Airlines, based in Brussels, has decided to continue research into such a system, and agreed to discuss the results of studies at a meeting in Madrid on May 8.

The aim is to create a "global distribution system" enabling all independent airline computer systems to be linked, *with the appropriate software* that would rule out any airline being required to sacrifice its existing investments in equipment.

The move has been prompted by the recent vigorous moves into Europe by individual US airlines with big computer reservations systems, such as American Airlines with its Sabre system.

The European airlines fear that the computer reservations systems on this side of the Atlantic could become fragmented, to the overall detriment of European air transport.

World Economic Indicators

TRADE STATISTICS

		Feb. 87	Jan. 87	Dec. 86	Feb. 86
UK £bn	Exports	6.933	6.204	6.477	6.160
	Imports	7.157	6.731	7.364	6.464
	Balance	−0.224	−0.527	−0.887	−0.304
		Jan. 87	Dec. 86	Nov. 86	Jan. 86
US $bn	Exports	16.384	18.431	18.595	17.006
	Imports	31.164	29.098	37.816	33.465
	Balance	−14.780	−10.658	−19.221	−16.459
W. Germany DMbn.	Exports	40.77	43.42	43.02	45.65
	Imports	31.89	33.07	32.89	37.02
	Balance	+8.88	+10.35	+10.13	+8.63
France FFrbn	Exports	67.73	71.39	70.36	76.33
	Imports	70.18	69.12	70.06	72.87
	Balance	−2.45	+2.27	+0.30	+3.46
Japan $bn	Exports	14.865	19.463	16.911	12.789
	Imports	10.571	10.943	9.510	10.905
	Balance	+4.294	+8.720	+7.401	+1.884

UK NEWS

Drive to increase part-time working

By Charles Leadbeater

THE BRITISH Government will today launch an initiative to stimulate employers to create more part-time jobs. The scheme, to be called Job Share, will replace the Job Splitting Scheme, which has proved a limited success.

The Government hopes Job Share will be simpler to operate. It has also decided to increase the grant available to employers by £160 to £1,000.

Whereas the £840 grant available under the Job Splitting Scheme was paid in three equal tranches, the Job Share grants will be front-loaded with £500 paid on approval of a company's application. A further £200 will be paid after 26 weeks, and the remaining £300 at the end of the first year.

However, the scheme will retain many of the ingredients of the Job Splitting Scheme.

Employers can apply for the grant if they are dividing a full-time job into two part-time posts; creating two new part-time jobs, or amalgamating the overtime of two full-time jobs to create a part-time post.

The Government has given the scheme a budget of £700,000 a year. It expects about 2,000 people will be covered at any time, a significant increase on the number involved in the Job Splitting Scheme, which covered about 200 people last year.

The scheme is intended to encourage companies to create part-time jobs for workers other than married women who have taken many of the part-time jobs created in recent years.

The scheme will not offer grants to employers if they recruit unemployed workers who are not claiming unemployment benefit.

This is likely to mean that employers will not be able to use the grants to create part-time jobs for married women, since many of them do not claim unemployment benefit when they are out of work.

The Equal Opportunities Commission has criticised the Job Splitting Scheme because it says the scheme's rules discriminate against the employment of married women.

Employers may apply for the Job Share grant if they fill one of the part-time posts with an unemployed person claiming at a benefit office; someone leaving a Manpower Services Commission employment or training scheme; a full-time worker under notice of redundancy or two full-time employees.

It is likely the scheme will require employers to create part-time jobs which involve at least 15 hours of work a week. Critics of the scheme argue this has encouraged employers to create jobs with no more than 15 hours' work a week.

Employees generally have to work more than 16 hours a week to benefit from the provisions of the Employment Protection Act.

Ulster plans first round of oil and gas licensing

BY LUCY KELLAWAY

NORTHERN IRELAND is to announce its first round of onshore oil and gas licensing later this month, in a move designed to excourage exploration and correct the province's sole reliance on imported fuels.

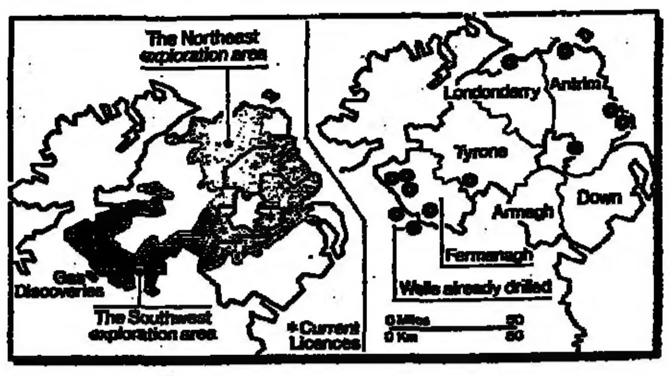
The entire area will be made available with the exception of three blocks in the east, now licensed to small independent companies. The round has been made possible by the expiry of licences on some of the most attractive acreage in the south-west.

Northern Ireland remains a relatively unexplored area, despite the fact that companies started looking for oil and gas there in the 1950s. Altogether only half a dozen wells have been drilled and although gas has been discovered, none of the finds has been commercial.

Mr Peter Viggers, a minister in the Northern Ireland office, said the round was a "co-ordinated attempt to interest bigger companies in Northern Ireland." He said that recent research commissioned by the Government indicated that there were several interesting prospects in the province that warranted exploration.

In the past the oil companies have been put off exploring in Northern Ireland by two geological problems. However, it now appears that neither need be as serious as the industry had thought.

The south-west exploration area has been the most extensively explored in Northern Ireland, although even here only five wells have been drilled. Although most of these discovered some gas, the findings were in tight sands, meaning that the gas was difficult to recover.



However, wells drilled just over the border into the Republic of Ireland indicate that the wells, if stimulated, can produce much bigger flows.

In the larger area in the north-east, oil companies had been discouraged by a thick layer of volcanic rock at the surface, which it was thought seismic survey could not penetrate.

This partly explains why over a total area of 5000 square kilometres there has only been one well drilled. Recently, however, some seismic data has been successfully collected, proving that the problem is not insurmountable.

From this scarce data Robertson Research has tentatively concluded that the geological conditions of the whole area are promising, with characteristics similar to those at the large Morecambe Bay gas field, the only producing field in the Irish Sea.

Mr Viggars, as an ex-oil man himself, is wise to dangers of getting too excited about an oil prospect. He says that his task at the moment is to interest the oil companies – which he evidently thinks is not going to be difficult – without getting the local population too excited.

At first the most that the region can expect will be a little well-heeled custom for the local hotels. Later on, if oil is found, Mr Viggars says it could be used directly by local industry, which relies entirely on imported fuels and expensive electricity.

British living standards 'lagging'

By Philip Stephens

LIVING standards in Britain have risen at the same rate as those in the US over the last 25 years but are still only two-thirds of the American level. Over the same period, West Germany, France and Japan have each in succession overtaken the UK, according to a study published today.

The study, by Mr Christopher Johnson, the chief economist at Lloyds Bank, takes issue with the present Government's claim that it has presided over one of the fastest periods of post-war economic growth.

Mr Johnson says the Government has claimed economic success by citing a growth rate of 2.6 per cent a year over the past five years, but that the choice of its base year is misleading.

In any comparision with previous periods it was more correct to include the recession years of 1980 and 1981 in the latest figures. Because output in those two years fell by around 3.5 per cent, their inclusion brings down the annual growth rate to 1.4 per cent.

That figure, Mr Johnson says, was well behind the performance of the US and Japan, although about in line with the European Community average.

The study shows that Britain has done better in terms of productivity than growth, but adds that the main reason is that unemployment in the UK has risen faster than elsewhere.

Unemployment is thus "the dark side of the gold medal for manufacturing productivity." In the 1960s, the jobless total in the UK averaged only 1.9 per cent, the fourth best figure among leading industrial countries.

By 1986 its unemployment rate of 11.5 per cent was the second-worst of the countries used in the comparison.

Mr Johnson also concludes that the Government has not done as well in bringing down inflation as most other industrial countries. The 3.4 per cent average in 1986 was higher than in seven of the 12 countries, and the rate is now on a rising trend.

● A report today says that the recent appreciation of the pound owes more to the general stability on foreign exchange markets which followed February's Paris accord, than to a "re-rating" of the UK economy by international investors.

In its latest economic review, Alexanders Laing and Cruickshank, a City of London securities house, says that any return to general instability on currency markets would leave sterling vulnerable.

The review says that Britain faces considerable inflation and balance of payments problems later this year and throughout next, which could be expected to put the pound under pressure.

Consumer body to review credit

BY DAVID CHURCHILL, LEISURE INDUSTRIES CORRESPONDENT

THE OFFICE of Fair Trading (OFT) is to carry out a major review of consumers' experiences of using credit.

The review, the first by the OFT for a decade, follows recent criticism of banks, retailers, and credit companies for giving too much credit to consumers who are unable to repay the loans.

Sir Gordon Borrie, director general of fair trading, announced the review at the National Consumer Congress held in Liverpool over the weekend.

"It is certain that there are too many examples where credit is being over-marketed without proper checks being made on the likely ability of the borrower to repay," he said.

Sir Gordon added that "as someone said to me recently of a certain department store – they are giving away credit cards like sweeties."

The OFT review, which will take about a year to complete, may include recommendations to the Government to tighten up the ease with which credit can be granted.

It is also likely to propose a national credit register, which would give lenders more information than at present and help to prevent loans to those already in debt.

Sir Gordon told delegates to the congress that he rejected objections from the clearing banks that financial information could not be made available to such a register because of customer confidentiality.

"A simple form of agreement by a borrower to allow disclosure of information to a credit register would satisfy the law, and no borrower should reasonably object," said Sir Gordon.

The Department of Trade and Industry is also at present considering OFT proposals to tighten up the rules governing most consumer credit advertising.

The congress also heard from Mr Michael Montague, chairman of the National Consumer Council, who called on the Government to improve the present "chaotic" rules governing compensation for accident victims.

"It is shocking to realise that each victim of each disaster has a price – and that price depends on factors largely unrelated to the manner of the accident or the degree of the injury, he said.

Civil servants aim to disrupt Customs depots

By David Brindle

UNION leaders yesterday named the Customs and Excise inland clearance depots where strikes were said to have begun over the weekend in the first wave of the programme of disruption over civil servants' pay.

It emerged that the main target was the Northampton depot, said to handle more than 20 per cent of European freight traffic dealt with at the inland centres and said to be used mainly by the TNT distribution group.

The aim of the strikes is to increase the pressure of work at ports and airports, where all Customs staff have begun a work-to-rule and overtime ban.

Other inland depots said to be hit by strikes are: Manchester Trafford Park, Liverpool Speke, Birmingham, Sutton on Humberside, Reading (Milton), Dover (Lenham), and Greenford, Stratford, London East, Barking and Erith in the London area.

The strikes by Customs officials are designed to disrupt exports and are considered by the two main unions involved in the pay dispute, the Civil and Public Services Association and the Society of Civil and Public Servants, to be a decisive tactic.

Universities urged to forge industrial links

BY PETER MARSH

UNIVERSITIES should establish stronger links with industry to obtain a strategic view of the important issues of research and not only as a means to raise extra funds, says a study for the Manpower Services Commission.

According to the report, by Segal Quince Wicksteed, a Cambridge-based consultancy, the complexity of research in science and technology is such that universities will rarely have the resources, not only in terms of money but of expertise, to take an independent view.

The study appears at a time when Britain's 45 or so universities are increasing their efforts to collaborate with industry. According to provisional figures from the University Grants Committee, in 1985-86 these institutions obtained industrial research contracts worth £59m, a 25 per cent increase on the year before.

As a proportion of total research contracts, most of which come from the Government's research councils, the sum of money raised from companies stayed roughly constant, at 14 per cent in 1985-86 compared with 13 per cent in the previous 12 months.

University-Industry Research Links and Local Economic Development, Segal Quince Wicksteed, 42 Castle St. Cambridge CB3 0AJ.

Ministry to order more Westland helicopters

BY DAVID BUCHAN

THE GOVERNMENT has somewhat widened the scope of the helicopter orders it will announce later this week from Westland, under increasing political pressure to help narrow the gap in the Yeovil-based company's order book.

Westland has an almost total dearth of production orders between 1988–1991, and the Ministry of Defence (MoD) had decided that the only order it could offer beleaguered Westland was for a utility or troop-carrying version of the EH101 helicopter. This is a £500m Anglo-Italian joint development by Westland and Agusta of Italy.

A prototype of the utility version of the EH101 will be rolled out at Yeovil in southern England on Tuesday in the presence of Mr George Younger, the Defence Secretary. It would be able to carry a platoon (around 30 men) at a time.

A recent MoD study concluded that operations in central Europe required a larger troop carrying capacity than is offered by either the Puma or Wessex helicopters.

However, production of the EH101 – in either its utility or anti-submarine version to which the Royal Navy is already committed – would not start until around 1990. The EH101 order alone, therefore, cannot help Westland avoid short-term cuts in its 4,000 workforce in its Yeovil helicopter division.

In the politically sensitive run-up to a general election, however, the MoD seems to have been prevailed upon to order a few extra helicopters, either for sea rescue, like the Sea King (though the MoD ordered an extra eight of these only last September) or for battlefield reconnaissance and liaison, like the Lynx.

These helicopters are currently being built at Yeovil. The Sikorsky Black Hawk is also assembled there, but the MoD has no role for it.

The Government will strenuously rebuff suggestions of a bail-out for Westland, the salvation of which Mrs Margaret Thatcher, the prime minister, has said, lies in "a private sector solution." On the other hand, the Government wants to avoid publicity over Westland's difficulties which could remind the public of the damaging row a year ago that led to the resignation of two cabinet ministers and allegations of political and financial impropriety.

Italy does not seem ready to make any similar commitment to buy utility EH101 helicopters, but since it is a joint programme some part of the new troop-carrying helicopters which Britain will be ordering will be made by Agusta.

To maintain a rough balance for each country between the number of helicopters it is buying and the amount of work it performs, Westland is therefore likely to carry out a larger share of work on the naval version of the EH101 than Agusta.

Building industry 'has improved significantly in last five years'

BY ANDREW TAYLOR

THE ABILITY of Britain's construction industry to build to time and within budget has improved significantly during the last five years according to a study of major developments completed since the end of 1981.

The study, by the National Economic Development Office (NEDO), covers all schemes completed by the engineering construction industry since the signing of a comprehensive pay and conditions agreement between unions and employers in September 1981.

It shows that out of 25 schemes only one project was as much as five months late. The rest have either been completed largely on time or to the clients' satisfaction. Eight schemes have been completed under schedule and six were under budget.

The national pay and conditions agreement, which Nedo says is often mistakenly called the big site agreement, covers the building of power stations, chemical plants, oil refineries, gas installations, steelworks and process plant generally.

Among the industry's recent successes was the completion last year of the Drax B coal-fired power station at Selby in northern England which, according to the Central Electricity Generating Board, was finished seven months early and 15 per cent under budget.

Other successes included the completion in 1984 of ICI's nitric acid plant at Billingham on Teeside, 10 months earlier than the previous comparable project.

Mr Ivor Williams, Nedo advisor to the engineering construction and process plant industry, says: "There has been a general all-round improvement in the construction industry's ability to deliver on time and within budget, not just in the engineering construction sector. Hours lost through disputes have fallen substantially."

According the Nedo study, time lost through disputes in engineering construction fell from around 5 or 6 per cent of manhours available to less than 1 per cent on average, following the signing of the national agreement.

This replaced a series of separate and often complex negotiating arrangements with a single agreement including a nationally agreed basic wage, formalised arrangements for the payment of incentives, strict controls on overtime and greater use of shift working.

It also established a consultative framework for unions and employers to monitor the progress of the agreement and to resolve potential problems before they emerge on site. Conferences before work begins, involving client, contractors, unions and designers, are often held for large or difficult developments.

"The result has been a substantial improvement in the performance of the industry," says Mr Williams. "Several projects now under construction would probably not have been sanctioned but for the improvement in performance."

Industry let down by schools, say young

By Tony Jackson

THE UNDERPINNINGS of British industry are in bad shape, according to the nation's 21-year-olds. The educational system is wrong, social attitudes are wrong and British companies are making the wrong things the wrong way.

Judging by an essay competition set by the CBI on 'where British industry should go', recent experience of the educational system in particular has left scores to settle. Educational establishments must stop looking down on careers in industry. Teachers should spend time in industry themselves.

There should, according to one entrant, be a compulsory senior school examination entitled 'Industrial Awareness'. And teachers should be paid according to their abilities.

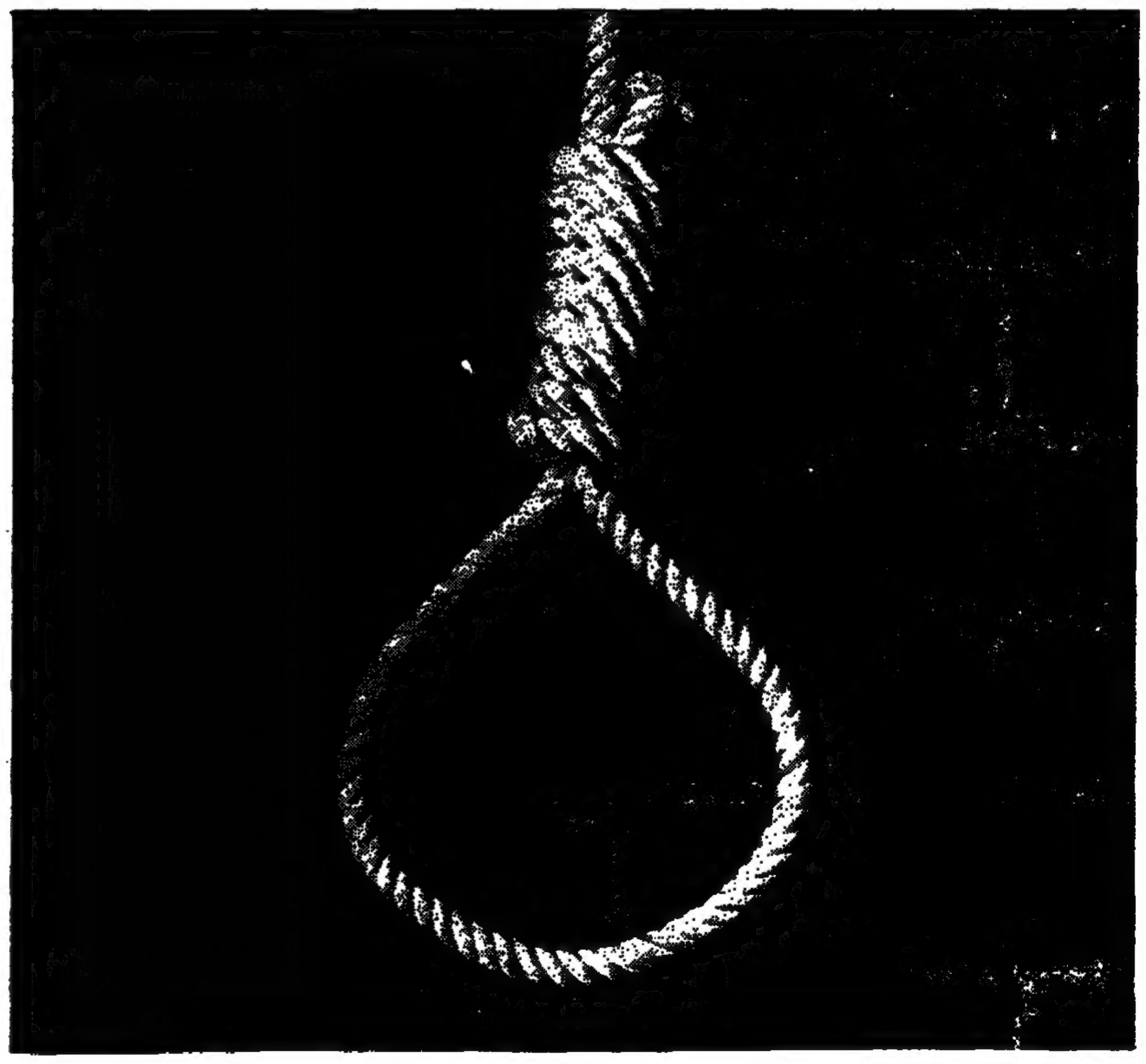
The entrants are unmistakably products of Mrs Thatcher's Britain. According to the £5,000 prizewinner Aron Miodownik, any plan for industry must take account of a society which "inevitably includes shirkers, ruthless egoists and the corrupt; one must beware of the kind of idealism that led to the debacle of the comprehensive educational system."

On the other hand, there is remarkable agreement in perceiving a central flaw in Britain's strategy for research and development – too much defence spending. This has lured away too many scientists and taken spending from the real growth markets. It might even be necessary for the UK "to abandon some of its independent defence R&D and switch to foreign suppliers."

The essayists are on safer ground, with the CBI last least, in criticising the Government's attitude to industry. Policies on interest rates and taxation have not put industry first, the local rating system is unfair and the Government's economic perspective generally is too short-term.

"Pinpoint areas where the key technologies will exist in the coming 25 years," says prizewinner Mr Miodownik. "This policy," he adds severely, "is far more realistic than keeping dying industries on an expensive life-support system."

"Top Form – the Class of '86 Tells Industry Where to Go." CBI Publication Sales, Centre Point, Oxford Street, London. Price £5.50.



UK NEWS

Shopping 'important leisure activity'

By David Churchill

SHOPPING HAS become a major leisure activity and is partly responsible for the buoyancy of spending in the shops in recent years, a report from the Mintel market research company says. It takes a detailed look at what motivates consumers when seeking a "day out".

The Mintel researchers found that – along with the traditional *day-trip to the seaside – a day-out to* a large shopping centre in a town or city was considered the most popular way of spending leisure time.

According to the Mintel research, shopping and seaside trips were considered twice as popular as a visit to the countryside or sporting event.

"The concept of shopping as a leisure activity is one that has developed alongside the growth of shopping precincts, superstores, and garden centres over the last 15 to 20 years," says the report.

It adds that "visits to all types of shopping locations have become a major leisuretime activity and have helped fuel the continuing consumer boom of recent years."

Mintel also points out that "the much-maligned British seaside resorts" have managed to retain their popularity as a day-out location by "working hard to create attractions to keep visitors happy when the British weather fails."

Mintel's research into the day-out leisure market reveals that nine out of every 10 adults in the UK go on at least one "day out" each year, with the average closer to 20 to 25 such days out.

The report estimates that the value of the day-out market last year – *covering travel costs, food* and drink, and entertainment – could make it worth as high as £10bn.

However, Mintel suggests that the UK travel industry does not consider days out as a major market. "Discussions with operators suggest that many travel agents play little or no part in it and there is a degree of feeling that their attitude is not sufficiently positive in view of the potential business," says Mintel.

● Men are increasingly behaving more like women when buying consumer goods, creating a new marketing sector called – in the jargon of the trade – the "feminal consumer".

The discovery of this new consumer trend – revealed by Mr Gerard O'Neill of the Henley Centre for Forecasting – threatens to cause a major re-think in the way marketeers sell fast-moving-consumer-goods to the public.

"It will have wide-ranging implications for consumer markets, consumer behaviour and consumer expectations," explains Mr O'Neill.

"Already it is clear that business will need increasingly to respond to changes in consumer behaviour in the home," he adds.

The emergence of the "feminal consumer" is a result of a number of changing trends. For men in particular, work is seen as of diminishing significance due to early retirement, unemployment, and a shorter working week.

As a result, men are often more involved in the home and family than before – making them a significant factor when determining purchases for the home.

The Day Out Business: Mintel, 7 Arundel Street, London WC2R 3DR; Price £495.

● FT LAW REPORTS

Broker can sue over retrocession deal

TRANSCONTINENTAL UNDERWRITING AGENCY v GRAND UNION INSURANCE CO LTD AND ANOTHER

Queen's Bench Division (Commercial Court): Mr Justice Hirst: March 31 1987.

AN AGENT or broker who signs a retrocession agreement is entitled to sue personally and to hold the proceeds as fiduciary for his principal unless the agreement, construed as a whole, shows a contrary intention.

Mr Justice Hirst so held when allowing an appeal by the plaintiff, Transcontinental Underwriting Agency, from an award on a preliminary point in an arbitration award arising out of retrocession agreements made between Transcontinental as retrocedant and Grand Union Insurance Co Ltd and PT Reasuransi Umum Indonesia as retrocessionaires.

[A retrocession agreement is a contract by which one reinsurer insures the reinsurance interests of another reinsurer. The insurer is called a "retrocessionaire" and the insured is called a retrocedant."]

HIS LORDSHIP said the case arose out of two retrocession agreements in identical form made by Transcontinental with Grand Union and Reasuransi respectively as retrocessionaires. The question was whether Transcontinental, which was managing agent of a retrocession pool, was entitled to sue under the agreements.

The agreements named Transcontinental as retrocedant. The preamble stated "whereas the retrocedant accepts reinsurance business in all classes . . . and the retrocedant wishes to retrocede a certain portion of such reinsurance acceptances."

Article 1 provides "this agreement embraces all reinsurance or retrocession business accepted by the retrocedant." Article 3 provided "the liability of the retrocessionaires . . . shall commence simultaneously with that of the retrocedant and shall be identical . . ."

The basis of the arbitrators' award was that as a retrocession agreement was a form of insurance contract under which a reinsurer insured the liability of another reinsurer, the parties to the agreement by definition must be entities carrying on reinsurance business in the sense of being risk-takers. They said the nature of a retrocession agreement indicated that it was not entered into as principal by anyone, such as Transcontinental, who was not a reinsurer.

The first question on the appeal was whether Transcontinental was party to the agreements. *Bowstead on agency 15th ed Arts 105-106* stated "an agent who makes a contract on his principal's behalf is . . . entitled to sue . . . If the contract is signed by the agent in his own name without any qualification he is deemed to have contracted personally, unless a contrary intention plainly appears from other portions of the document."

In *Cooke v Wilson (1856) 1 CBNS 153, 162*, Mr Justice Cresswell said: "Prima facie, when a man signs a contract in his own name, he is a contracting party; and there must be something very strong on the face of the instrument to prevent that liability from *attaching to it.*"

Mr Mance submitted that the contract was signed by Transcontinental in its own name without any qualification and that, far from any contrary intention appearing in the document, the whole agreement pointed unmistakably towards the conclusion that it was intended to be a party. He did not dispute that pool members might also, as unnamed principals, have a right to sue or be sued under the agreement, but he stressed that that in no way affected the Transcontinental's liability.

Mr Cordara for the retrocessionaires submitted that on no view could "retrocedant" in article 3 of the agreement have been intended to connote Transcontinental, since it undertook no liability.

He also relied on *Halsbury's Laws 4th ed Vol 12 para 1479*: "Where . . . it is not inconsistent with the written contract to show that the contracting party was only an *agent* . . . extrinsic evidence is admissible to show who the principal is . . . ."

His arguments were fallacious. The authorities showed conclusively that where an agent signed an agreement without any qualification he was personally liable unless a contrary intention appeared on the instrument. Mr Cordara's construction did such violence to the plain wording of the agreement taken as a whole as to be totally unacceptable.

The fact that Transcontinental contracted personally in no way precluded the members of the pool, as unnamed prinicipals, from having the right to sue or be sued.

It followed that on the proper construction of the agreement Transcontinental was a party and was entitled to sue and be sued. On that ground alone the appeal succeeded.

The second question was whether Transcontinental, as broker, was in any event entitled to claim on behalf of its principals, in the capacity of fiduciary agent.

Mr Mance submitted that it was well-established that an agent or broker who effected insurance in his own name, with or without expressly denoting the existence of his principal, could recover in his own name the full amount of the loss, holding it in his fiduciary capacity for the principal.

Arnould on Marine Insurance 16th ed para 1354 stated: "An action on a policy may be brought in the name of a broker or other agent who has effected it in his own name."

In *Lloyd's v Harper (1880) 16 Ch D 290* Lord Justice James said: "Nobody ever supposed that a broker could not sue on a policy for the benefit of the persons interested." And in *Woodar [1980] 1 WLR 277* the House of Lords was unanimous in the view that an agent such as an insurance broker, was entitled to sue on a contract made by him on behalf of his principal, and to hold the proceeds as a fiduciary on the principal's behalf.

Mr Cordara submitted that *the authorities should be interpreted* very narrowly as applying only to contracts of marine insurance, unless it appeared expressly from the terms of the policy that the insurance was undertaken on behalf of another.

He relied on the *Albazero [1977] AC 774, 846* where Lord Diplock cited by way of example the rule that it was the right of an assured to recover insurance on goods on behalf of anyone who might be entitled to an interest in the goods, "provided that it appears from the terms of the policy that he intended to cover their interests." That rule, he said, with regard to marine insurance, was incorporated in the Marine Insurance Act 1906.

The authorities, and in particular *Woodar* and *Lloyd's*, did not support any such circumspection of the general principle. The statements in those judgments were general, and neither was a marine insurance case.

There seemed no logical reason for drawing some special distinction between marine and non-marine insurance in the present context.

Nor was there any justification for requiring any *express* provision as to the broker's capacity, since *ex hypothesi* a broker was acting on behalf of principals. Where, on the other hand, an assured sought to claim on behalf of others with an interest in the same goods, as in the example in the *Albazero*, a provision that he intended to cover those interests was of course essential to bring them within the scope of the policy.

Mr Mance's submission as to the generality of the principle was therefore accepted. The appeal was allowed.

For Transcontinental: Jonathan Mance QC (Norton Rose Botterell and Roche).

For the retrocessionaires: Roderick Cordara (Ince and Co).

By Rachel Davies
Barrister

هكذا من الأصل

HOW LONG CAN YOU GO WITHOUT SLEEP?

Flying all the way to Australia can be a real pain down under. The seats in an aeroplane – whatever some airlines might claim – hardly resemble your bed. And the cabin certainly doesn't compare with your bedroom. When you ought to be fast asleep at home, you'll be high above The Persian Gulf and the sun will be streaming in through the windows.

And by the time you actually get to Australia you'll have passed through 12 time zones and your internal clock will be all over the place.

So the problem isn't simply not sleeping on the plane, it's not sleeping once you're off the 'plane. And then what condition will you be in to do business?

IF YOU CAN'T SLEEP, RELAX.

There's no point losing sleep over not sleeping. Not many people can sleep on a 'plane – at least not the deep sleep they need to feel refreshed. But being able to relax is the next best thing. You may then be able to take a number of short naps, or just to switch off.

You can give yourself a head-start by checking in at the airport early. Then you can choose the seat you prefer – by a door for instance, or the aisle. (If you're flying Qantas First or Business Class you can choose your seat in advance, on the phone. And when you get to the airport, you can relax in the Club room until your flight is called.)

Once you're on the 'plane, there are a number of things you can do, some of which you probably do already.

Wear loose-fitting clothes. Take off your shoes and wear slippers, since feet and ankles swell during flight.

(Qantas provide slip-overs to save your socks from the cabin, and possibly to save the cabin from your socks. We also give you a shoe-horn to help you get your shoes back on once you've landed.)

Take some exercise:

do a few isometrics

in your seat

and stroll around

the cabin from

time to time.

Read or listen to music until you start to drop off. Then watch the movie. (That should do it. While Qantas get the most up-to-date films, we can't predict their snooze rating.)

Socialise; or better still, travel with someone. (Although jet lag tests have shown the benefits of having a travelling companion, there is as yet no scientific proof that taking your secretary is essential to corporate health.)

COMFORTABLE OR COMATOSE?

On a long flight, it's understandable to want a drink. Drinks are on the house – or rather, the 'plane – and being on a 'plane itself makes you thirsty: the humidity is about 2%, whereas on earth it's at least 30% ... unless you live in a desert.

But don't drink too much alcohol. One drink at high altitude is like three on the ground. You might not feel it yourself, but later you'll feel as though you've gone fifteen rounds with a heavyweight.

If you have to have some alcohol, take it easy and drink lots of water or fruit juice. (If you are tempted to a glass or two, nobody offers you a better choice than Qantas. After all, our wines have just been voted the best in the air by Business Traveller Magazine.)

Avoid fizzy drinks if you can: the natural gas in your stomach has already been increased by the decrease in air pressure, and it's hard to unwind when you've got wind.

Also avoid gassy foods like beans and onions. In general, be choosy about what you eat and when you eat it. The stomach isn't really up to eating a three-course meal when its own clock says it's four in the morning.

At Qantas, we prepare special menus for Business and First Class using fresh produce, never frozen. (In First Class, there's always a specially trained Air Chef.)

But we realise that on long flights most of us eat as much out of boredom as hunger. So if you don't feel like eating, or you leave some of your meal on the Wedgwood, we won't be offended.

And if you do get to sleep and don't want to be disturbed, we won't disturb you.)

DOES FLYING WITH QANTAS MAKE ANY DIFFERENCE?

We think so, but then we would say that, wouldn't we?

(In a recent airline poll conducted by Australian Business magazine, frequent Australian business travellers voted Qantas top in both First and Business Class

– ahead of Singapore Airlines (2nd),

Cathay Pacific (4th),

and British Airways (10th).

But then they would say that, wouldn't they?)

However, we do fly more people to and from Australia than any other airline.

And we've been flying longer flights longer than any other airline. (In fact, after KLM we've been flying passengers longer than anybody, and we were the first to offer a separate Business Class.)

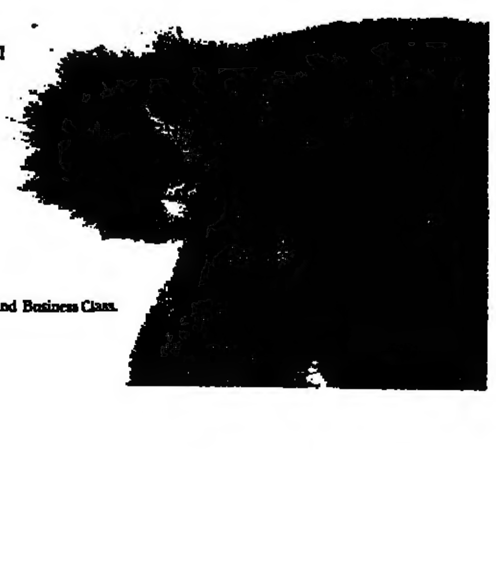
So we think we've picked up a thing or two, not just about flying, but about flying long distances, and you can rest assured we do everything we can to help you rest at ease.

For example, on the upper deck in Business Class you get two seats to a row with 38" between headrests in the upright position. In First Class, the seats are the nearest you'll get to a bed. (You pays your money. . . .) In both classes, the all-wool blankets and the linen pillows are the largest in the sky.

And though it's hard to be objective about service we believe ours is friendly and efficient, as you might expect from Australia's national airline. While some of you might temporarily miss an oriental Miss, our cabin crew more than compensate with their common sense, conversation, sense of humour and knowledge of the cricket scores.

Of course, you can only agree with us if you try Qantas for yourself.

Until you do, why not sleep on it?



QANTAS Business Travel.*
Big on outdoor comforts.

*Some of the details apply to First and Business Class.

UK NEWS

Kenneth Gooding reports on the acquisition of Leyland

Daf Trucks merger gets into gear

THE NEW Daf Trucks company, in which the governments of the Netherlands and the UK have indirect shareholdings, starts operations today with several loose ends still to be tied up following the acquisition of Leyland Trucks in Britain.

However, Daf is confident it can build up its share of the West European heavy truck market and increase leadership in the UK.

The company still has to weld the 52 former Leyland and 22 Daf dealers into one effective UK network of about 60 dealers.

There are still also decisions to be made about which Leyland employees will join the Leyland-Daf sales and marketing organisation in the UK which, like the new Daf company as a whole, is dominated by former Daf executives. The sales and marketing organisation has yet to decide where to set up its headquarters.

The former Daf organisation was about to move from Marlow in Buckinghamshire to a purpose-built headquarters and spare parts facility at Thame, Oxfordshire. But this is not big enough for the enlarged business.

It is likely that the spare parts operations will be moved to the Leyland facilities at Chorley and Mr Roger Phillips, who heads the UK sales and marketing operations, said his organisation's headquarters will remain somewhere in the south of England.

In spite of the uncertainties generated by the merger, Leyland-Daf, as the UK subsidiary is known, has started 1987 with a 23 per cent share of the market for trucks over 3.5 tonnes gross weight, well ahead of Iveco-Ford, the company formed from a merger last year, in second place with 17 per cent.

"We are looking to increase that in the longer term because we have excellent dealers and can give truck operators first-class support," said Mr Christopher Thorneycroft-Smith, marketing director of the new UK sales and marketing organisation.

Daf also owns the Freight Rover company in the UK which holds second place in the medium van market with the Sherpa vehicles.

However, Sherpa's 13 per cent share is well behind the Ford Transmit which dominates with nearly 43 per cent.

In Western Europe's heavy truck market (over 3.5 tonnes gross) last year the combined Daf-Leyland business would have been in fifth place with sales of 22,117 trucks and an 8 per cent share, behind Daimler-Benz (62,967), Iveco-Ford (44,442), Renault (25,972) and Volvo (23,138).

The new Daf company, in which the UK's state-owned Rover Group has a 40 per cent shareholding with the rest of the equity held by various groups in the Netherlands, has its headquarters at Eindhoven in the Netherlands.

Its anticipated turnover this year is £1.45bn and, according to Mr Aart van der Padt, Daf's president, will be profitable from day one.

Last year the old Daf company boosted its after-tax profit from Fl 20.4m (£6.2m) in 1985 to Fl 33m. Meanwhile, Leyland Trucks comes to the merger with its debts wiped out by the UK Government which is also picking up the bill for further rationalisation involving another 2,600 job losses. The total cost to the UK taxpayer is about £300m.

Daf has promised to invest £150m in its UK operations in the next five years, with more than half going towards a new Sherpa van range.

Mr van der Padt said that, in the medium term, the new company's two main truck plants should be able to increase output by 2,000 vehicles a year each.

In common with all Netherlands' companies, Daf has a two-tier board structure. Two Rover Group executives – Mr Graham Day, chairman, and Mr David Hankinson, finance director – have joined the nine-strong supervisory board. The only British representative on the Daf management board is Mr George Simpson, managing director of the Leyland-Daf subsidiary.

Daf has 6,450 employees in the Netherlands, mainly at Eindhoven where its main truck plant is also located, 6,000 in the UK, mostly at the Leyland, Lancashire truck facility, 1,500 at Westerlo in Belgium which makes truck cabs, and just over 1,000 people at sales and service subsidiaries elsewhere.

Mr Frans l'Herminez, a senior Daf director, has become executive chairman of the Leyland-Daf, and is joined on the board by Mr Cor Baan, Daf's director of sales and marketing and Mr Reco Dietz, Daf's engineering director, as well as Mr Simpson.

Leyland-Daf has four operating "arms": manufacturing; Freight Rover; customer financial services; and marketing and sales. Unusually, the marketing and sales organisation reports directly to Mr Baan in Eindhoven instead of through the Leyland-Daf board.

ICI car paint set for market breakthrough

BY IAN HAMILTON FAZEY

ICI Paints will this week claim a market breakthrough for its pollution-reducing water-based vehicle paints, following successful trials and acceptance by General Motors in Canada and Volvo in Sweden.

The paints, which ICI calls Aquabase, use water to carry the pigment and resin system, rather than organic solvents. Emission of organic solvents into the atmosphere while the paints are drying is a major source of pollution around car factories. Since water is the solvent in ICI's new paint, it does not pollute on evaporation.

When Aquabase was announced in 1985, ICI claimed a two-year technological lead on the world's paint industry. Since then it has been conducting trials with several motor manufacturers, including BMW and Volkswagen-Audi in West Germany where, along with Scandinavia and North America, environmentalist pressure to reduce pollution is strongest.

One difficulty in breaking into the market with the new paint, however, is that special spraying and drying facilities are needed. Volvo says that the paint behaves differently from conventional paints when pumped, and storage life is shorter. It also needs stainless steel pipework to prevent rusting.

Moreover, since water takes longer to evaporate, the paint may take up to 10 times longer to cure than organic solvent competitors, which are usually baked dry in a few minutes by passing a painted vehicle body or parts through a hot tunnel-oven.

Using Aquabase therefore requires wide-ranging investment. General Motors' new paint line is in the truck factory in Oshawa, Ontario, which has just undergone a $556m modernisation. Here it was possible to design from scratch. Use of the paint has cut solvent emissions by 80 per cent.

In Volvo's case, an atmosphere-conditioned booth has been extended to integrate the waterborne spraying process into an existing production line. Models painted in Aquabase are then diverted through infra-red light and a blow-dry tunnel.

However, Volvo said in its statement accepting the paint that ICI's water-based solution is only one answer to pollution. The Swedish paintmaker Wilhelm Becker, for example, is working on a 'high solids' method, which Saab is trying out.

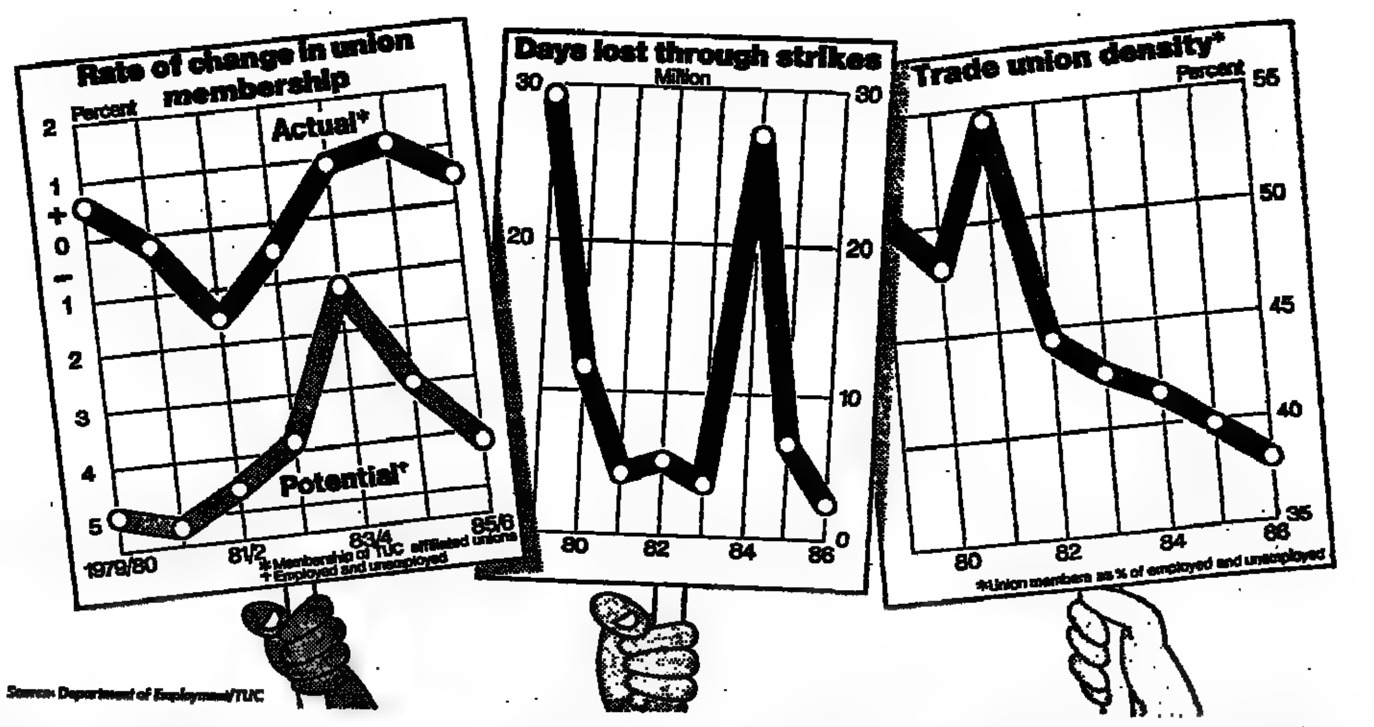
This increases the proportion of pigment in the paint, leaving less solvent to dry off after spraying. But this is less obvious a solution than it seems.

'Metallic' paints work only because they are applied thinly enough to allow the aluminium particles responsible for metallic sheen to lie flat in the coating. The high proportion of solvent thus needed for these paints – which account for 50 per cent of the vehicle paints market – has been mainly responsible for the pollution problem.

But a higher solids content usually crowds the aluminium particles so that they stand on end, making the colour 'flip' according to the angle of view. Becker has been working on technology to make the particles lie flat in higher concentrations of pigments and resins. This does not lead to such large reductions in emissions as Aquabase, but it may satisfy legislators. It may also avoid drastic rebuilding of paint shops.

Part 11: **Philip Bassett** says that Mrs Thatcher has won a decisive power struggle with Britain's trade unions

Labour's winter of discontent



Source: Department of Employment/TUC

IN MAY 1979, two days before the general election which swept Mrs Thatcher into office, the voters were unequivocal: 73 per cent of the British electorate thought trade union power was the most important problem facing the new Government — the vital issue by a considerable margin. Now, with another election in sight, the voters seem equally decided: only 1 per cent of the electorate considers unions to be an important issue facing the country—the least vital of those named.

As an index of what has happened to British industrial relations under the Conservative government, these two MORI findings could hardly be more stark. Following the wave of pay strikes in the 1978-79 "winter of discontent," trade unions dominated the 1979 election. In 1983 they were, as unfinished business, still a factor. This time, not even the prospect of another round of proposals for trade union reform has quickened public interest.

It is hardly surprising. For the Government, labour relations is a battle already won. "Industrial relations aren't a problem now," says one senior minister. In 1979, the subject was at the heart of both the overt agenda—legislation—and the more covert aim of dimming the power of the unions. That this latter point is now stated openly as an achievement is a measure of the impact of the Thatcher years on trade unions.

A whole host of factors have played their part in achieving this for the Government—including unemployment, shifts in both the sectoral structure and the geography of work, and constant technological change.

But two have been critical. The first has been the Government's ideological drive: the determination to change unions, and the will to do it. Virtually every plank of Conservative policy has had its effect on the unions. From privatisation to profit-related pay, from breaking up national bargaining to wider share ownership, from tax cuts to promoting a property-owning democracy, almost every initiative has helped whittle away the unions' base of support.

The actual legislation directed at trade unions has, in its own terms, been remarkably successful, at each step cutting away another layer of union power without making such a fell sweep as to provoke resistance.

The first two measures, the 1980 and 1982 Employment Acts, dealt with what the Government, the public, and—most significantly of all—union members regarded as the excesses of union behaviour exemplified in the winter of discontent (still used even now as a touchstone by the Conservatives on which to base their popular appeal, and some of their best attacks upon Labour). These covered, among other things, picketing and secondary action.

The third, the 1984 Trade Union Act, was more subtle, more sophisticated, and more far-reaching. Part of it boomeranged—the requirement on unions to ballot on the retention of their political funds, Labour's financial lifeline, was seen as an attempt to wreck the Labour party and was soundly rejected in every union ballot. This became the unions' greatest (perhaps only) major collective success of the Thatcher years.

But the rest—its provisions for ballots before strikes, and for the election of union leaderships—was little short of revolutionary. After a few painful and expensive skirmishes with the courts, the already-cowed unions bowed the knee. Strikes plummetted to their current 50-year low, and the complexion of union leaderships began to change to reflect more closely that of their members.

None of this, however, was easy for the Government. In the private sector, especially in manufacturing, where the recession bit hardest, the job shocks of the early 1980s led first to a new management assertiveness, and from that to an emerging system of industrial relations rooted less in conflict, more in consensus (or compliance, according to some), exemplified in its most extreme form by the strike-free deals being signed now by some unions.

In the public sector, the fight was much more bloody. Every year of the Government's tenure has seen a major public sector strike, culminating in the titanic struggle of the 1984-85 coal dispute, where the scale of the battle was matched only by the enormity of the impact of the miners' defeat. Yet in spite of that, the public sector is still far from quiescent: privatised British Telecom's recent dispute was very much a public sector-style strike; Mark Twain-like, the teachers' dispute continues to prove exaggerated constant reports of its death; groups such as the civil servants remain ready at least to consider a fight.

This might imply that it is in the public sector where the strength of trade unionism now principally resides. In spite of the miners' defeat, there is truth in this—but it is a view rooted in the same assumption which underpins the Government's own view that industrial relations health is to be measured mainly and inversely in relation to the extent of strike activity. There is also, however, an argument that trade unions are doing their real job by providing more services rather than more strikes, more care rather than more conflict, more responsibility rather than just more power.

It is *power* which lies at the core of all this. The most important effect of it all has been to reduce the power of unions in the labour market, to throw them back from the offensive (wage push) to the defensive (protecting jobs), to divide their members and potential members by making the labour market more flexible and more segmented, to pull union members apart from each other by such initiatives as more regionally varied pay and greater pay differentials achieved by weakening the position of the low paid (by cutting back the wages councils) and encouraging market-related pay for the highly-skilled. All these things have narrowed the gap between the value of being a union member and not being one, so that union membership becomes an irrelevance.

For the Government, it has paid off. By any indicator, union power has been cut. As the chart shows, the gap between actual union membership and potential membership has widened. Recent research work showing that unionised companies cut their workforces in the recession while non-union companies expanded theirs rubs salt in the unions' wounds.

There is more to come, too, if the Conservatives are re-elected. A further set of proposed union reforms are already on display, focusing on internal union affairs such as finances, balloting and the closed shop, though this fact sits oddly with the Government's contention that its reforms so far have already virtually eradicated the problem.

There is also, though, in Government and beyond it, a view that labour market deregulation has not gone nearly far enough to make business more efficient and reduce unemployment. There is already talk in Whitehall about more radical measures; why tinker further with the closed shop? Why not just ban it completely? Why keep up the vestiges of old-style corporatism? Why not kick the unions off the Manpower Services Commission, and the conciliation service Acas? If socialism has to be extinguished in a third term, as Mrs Thatcher has said, why not finish off industrial socialism in the shape of the unions?

Across their internal political spectrum, however, the unions have been changing to meet the challenges of the Thatcher years, trying to come to terms with a remapped labour market and the thrusting wedge of non-unionism. But particularly if the Government is re-elected, such changes may be too late. There is a more positive mood in the unions, but despite it, the likelihood of the unions ever regaining their power of the pre-Thatcher years, when the general secretary of the Transport and General Workers Union was seen as more important than the Prime Minister, looks remote.

In that, the industrial relations emphasis of the politicians on trade unions is now some way behind the practice. Employee relations for most employers are no longer just a matter of squaring the unions (though that can still be important), but are a more complex and multi-faceted process, involving to a greater degree than before considerations including recruitment, training, technology, mobility, turnover, shortages, earnings, labour costs and productivity—the whole range of labour market issues.

Unions now are just part of the mix. Employee relations are no longer principally about trade unions.

Tomorrow: Malcolm Rutherford on law and order.

Christopher Parkes talks to two business successes and (below) **David Brindle** meets an entrepreneur who didn't make it

The 'I can do it better days'

CLASS OF '79

ALAN WOLTZ took some stick in 1979. Ann Burdus wallowed in bouquets.

The unknown American, newly in charge at the fading London Rubber Company, attracted little sympathy as he blathered about "priorising the issues."

Then there was Ann Burdus, again brought in from the US, promoted that year to be the first woman head of McCann and Co., one of Britain's biggest and most successful advertising agencies.

She, too, was hardly known outside her patch. But she was female and British to boot. Within the year she was given the official stamp of approval when she was corralled as a marketing adviser by Peter Walker, then Agriculture Secretary. In December she gained national prominence as The Times Businesswoman of the Year.

On balance, Woltz reckons his uneasy introduction to pre-recession Britain gave him certain advantages.

"I was a bit of an oddity . . . I could get away with things," he admits. "I didn't carry any baggage. I didn't know what could or could not be done. I just tried to be as sensible as possible." Seven years on London Rubber has grown from being a contraceptives company worth £20m to become London International Group, capitalised at £400m-plus.

He is uncertain of how to apportion credit for the changes he has seen in Britain. His last major industrial trouble struck in 1980, when the company agreed a 22 per cent pay deal in one of its main divisions. "Now, labour is less of a concern for me."

He does not have to worry so much because, he feels, employees are better informed about the state of their company. Late in 1979, visiting a major plant near London, he discovered that the management had made no efforts to explain the company's plight to the workforce.

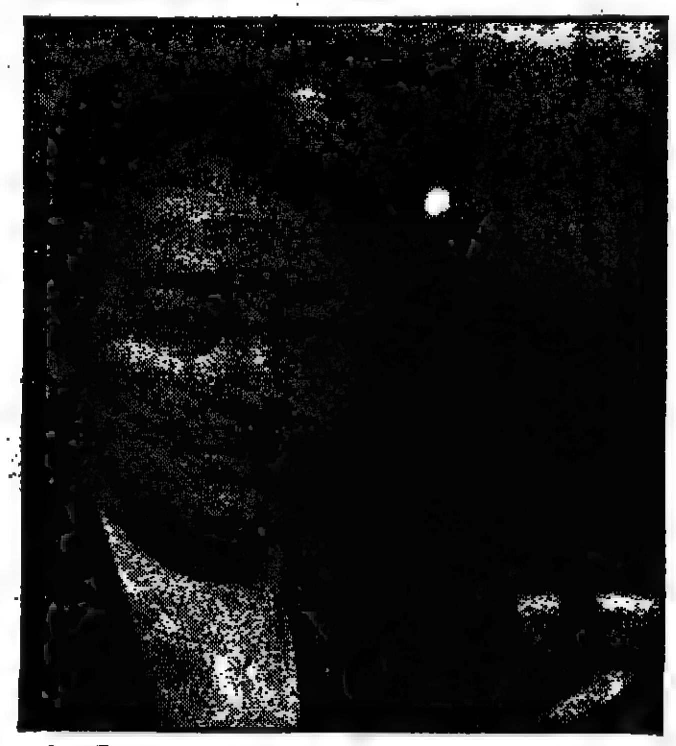
"They were the ones who were going to have to face it, so I told them myself," he recalls. London Rubber, he explained, faced either radical changes, going broke or being taken over and split up.

He was shocked by the reaction. No one believed it was possible. "The concept that the company could come to an end was not believable," he says. "I bet that was a common view in British industry."

The situation has improved, however, and he gives part of the credit to Mrs Thatcher. "This government has been very effective in changing . . . at least getting people to consider that performance counts."

Woltz also now spends a smaller proportion of his time fretting about a persistent national problem: where to find good management material for the future: "It is harder here to recruit good managers than in other places," he claims.

For all this, life in the Thatcher years has wrought a fundamental change in Woltz's view of Britain. It is unparalleled as a greenfield investment plot, he says. "Any company looking for a European base would be crazy not to start here."



Ann Burdus: Mrs Thatcher doesn't go in for tokenism

Ann Burdus, now deputy chairman of AGB Research, Europe's biggest market research company, spent several of the Thatcher years in the US. But she, too, detects a change of sentiment in industry.

Crucial, she suggests, is the fact that industry has been told its travails are its own concern.

"Economic pressures have really made people apply themselves to the reduction of waste and more efficient use of manpower," she observes.

"The atmosphere of 'I can do it better' is very exciting. Things which people thought would be painful have turned out not to be painful at all. . . ."

With responsibilities ranging from monitoring domestic consumption of double-glazing to her new role as a frontliner in the Government's AIDS campaign, her optimism embraces a broader field than Woltz's.

"It's not my line to talk about women," she states, but goes on to note that the number of women in executive positions in advertising has increased dramatically. On the other hand, she thinks there has been a tailing-off in women's advances through the mainstream of business.

"All business has had a difficult time and has tended to limit risks," she explains. "A stuffy old man in a blue suit is a known quantity, in spite of everything a woman is still unknown."

As a result, there is a generation of high-flying females which has allowed itself to be siphoned off into "things like corporate affairs." She sniffs her disapproval.

Women's prospects may even have been helped indirectly by the Prime Minister's own style. "Mrs Thatcher always looks for the best person for the job whether male or female. She is notorious in some ways for not having moved the women's cause forward. But, like me, she doesn't go in for tokenism. In a funny way, she has protected women from tokenism."

Burdus has an eye for social patterns—perhaps as a result of her involvement in highly detailed market research, perhaps related to her absence in the US. "People are warmer, healthier, live longer . . . and are possibly kinder," she offers. "But this is a product of changing social habits rather than Thatcherism."

The issue seems to be aspiration rather than inspiration from some central source. "Set aside the deprived one-fifth of society and the rest are moving to middle class status and becoming more educated. But this has nothing at all to do with "Thatcherism."

Burdus draws inspiration and some comfort from the statistics which show the way people's circumstances are changing. "People might say I am suggesting material things are the be-all and end-all . . . but I would rather have high-minded thoughts with warm feet."

"Talk of two nations is a bit simplistic. If you talk in shorthand you lose the nuances."

Alan Woltz, too, ponders two nations. The filth and noise of New York disturb him. He admits to being taken aback by the aggression and forthrightness of the US businessman, which once coloured his public persona. "In terms of quality of life," he says, "I'd rather be here than in Cleveland . . . Ohio."

'You have to move on'

BOB SCOTT will wind up his promising micro-electronics business at the end of this month. From April 1, he will opt for the relative security of a paid official's post with EEPTU, the electricians' union.

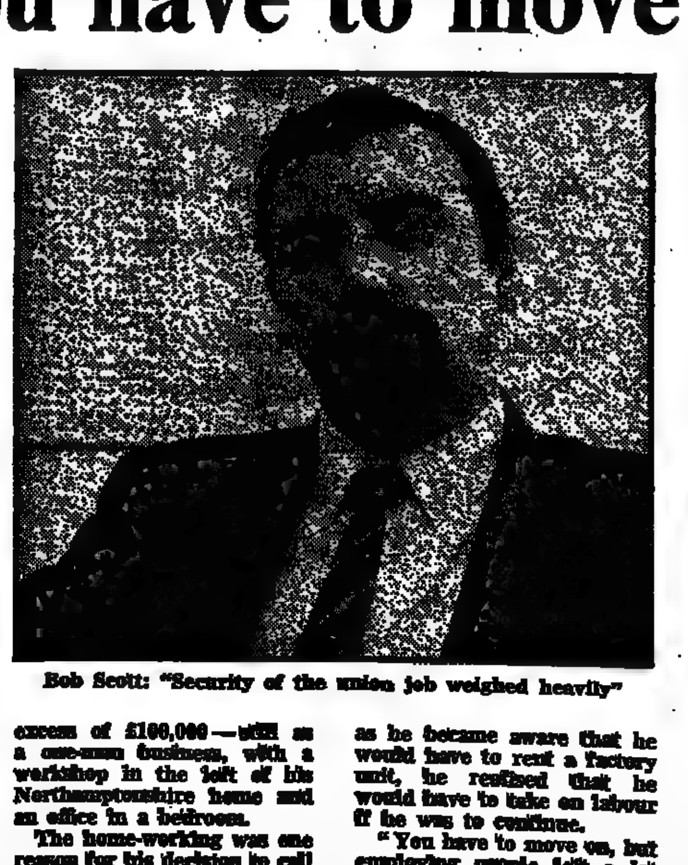
His reasons for giving up raise questions about the Government's belief that every employee would rather be an entrepreneur and that the Bob Scotts of this world can, given their head, make up Britain's lost ground in key developing industries.

Mr Scott, a former steelworks electrician, received £10,500 redundancy pay and 14 months' training in micro-electronics under British Steel's programme for displaced workers in the industry's shakeout that began in 1979.

After brief employment with an electronics company which went into liquidation and a similarly short-lived joint business venture, he set up his own concern.

In the first 12 months, he achieved turnover of £36,000. His first contract was manufacturing temperature humidity probes, but he was soon designing and building electrical panels for lifts and meeting export orders for lighting equipment.

In the second year, he was heading for turnover well in excess of £100,000—still as a one-man business, with a workshop in the loft of his Northamptonshire home and an office in a bedroom.



Bob Scott: "Security of the union job weighed heavily"

The home-working was one reason for his decision to call it a day: his family, he says, was increasingly annoyed by the clutter. At the same time as he became aware that he would have to rent a factory unit, he realised that he would have to take on labour if he was to continue.

"You have to move on, but employing people left a lot of doubt in my mind. It's a very big step," Mr Scott says.

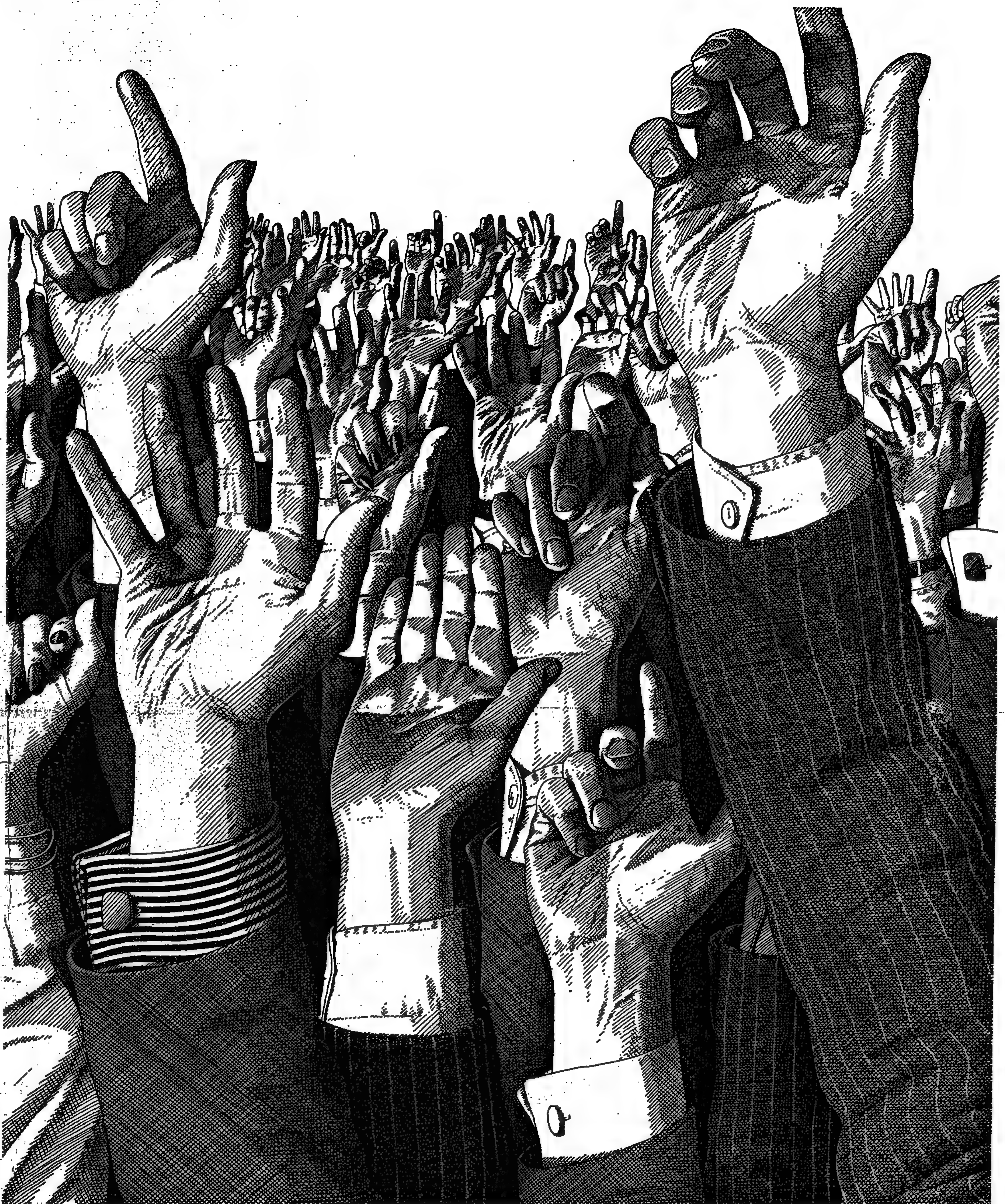
The day-to-day problems of running a business represented a second deterrent. Book-keeping, value-added tax and cash flow had been constant headaches, but the real difficulty concerned letters of credit: "The first time I started looking seriously at them was when I had a £6,500 order sitting on Tripoli airport the day I heard the Americans had bombed it."

Handling a £40,000 order (his biggest) he found that his otherwise helpful bank refused to extend loan facilities against a letter of credit—a rebuff that meant he had shamefacedly to ask his customer to put cash up front instead.

What finally tipped the balance against carrying on in business was the uncertainty it represented for a man of 40 with a wife and two children.

"Although things were going well, they could just as easily have hit a bad patch. Yes, the security of the union job weighed very heavily with me."

Mr Scott will take to EETPU his undoubted expertise as a former shop steward and negotiator. But he will be making little use of his skills and business acumen in a field where, everyone agrees, Britain needs to do better.



The importance of an honest corporatism

JOHN LLOYD

JOHN GARDINER, chief executive of the Laird Group thinks the period between the 1950s and the Thatcher years was a "fatal . . . 30 years of state corporatism."

He told Richard Lambert (the Thatcher Years, Part 8, FT April 1): "The thing she has changed is the view that the state has to solve all of our problems."

There is something in that but much is left out. Left out, in particular, is a recognition that in one crucial area the state has moved in to solve the biggest problem of all, especially for many efficient and productive companies like Laird. That is the problem of what to do with all the workers such companies find they do not need.

The state now provides not just the safety net of social security it also provides a raft of schemes, projects, counselling and training programmes. The Manpower Services Commission, founded in January 1974 with a budget of £125m, has £3.5bn in its current year's budget. A generation of school-leavers now passes straight from state schools to state pensions, often "earned" in state-owned training centres. Their guides to the world of work are no longer time-served craftsmen or technicians but state-employed counsellors.

In relieving the companies of an actual or implied responsibility to assist in maintaining full employment, the Thatcher Government has extended the state deep into lives of millions of people who, in the "fatal" period, would have deemed it shameful to have taken a penny from it before the age of 65.

This reflection is not a partisan one. Any government would have had to respond to the jobs massacre in a roughly similar way. Moving beyond the employment field, any government would have continued to pay out large sums for research and development, help small firms start up, extend credit on exports, subsidise innovation and exercise a regional policy—as this one has. But only this one would insist that it was anti-corporatist: and perhaps only one led by Mrs Thatcher would have persuaded shrewd men like Mr Gardiner that it really was.

The important point about corporatism—the reflection is in part prompted by the 25th anniversary of the National Economic Development Council last month—is not its demise, which is premature, but its future. For Mr Michael Heseltine it is a means of emulating the success of other countries, like the US, Japan, West Germany and France.

In his recent book, Where There's a Will, he writes: "The capitalist economies with which we have to compete do not operate on the theory held in Britain that government is an onlooker in the industrial game or at best a referee. In most of these countries there are partnerships of one sort or another between the government and the industrial world. Partnerships are of varying kinds, but in most cases there is a common attitude and approach which is more mature, less adversarial and demonstrably more successful than ours."

For the Labour Party, corporatism has always been composed of at least three elements. One was the drive for more public ownership which, though it could be and was justified on economic grounds, was essentially a political and social movement. A second was the advance of trade union interests through the establishment of formal bargaining structures in the industry concerned, the incorporation of trade union leaders and officials into central and regional planning mechanisms and—in the 1970s—the failed attempt to develop a British version of West Germany's Mitbestimmung (workers on the board). A third, evident in the Labour government of the '60s and '70s, was similar to that advanced by Mr Heseltine, in purpose if not necessarily execution—the ability of the state to pick winners.

This mixture of purposes gave Labour's brand of corporatism a bad name. Too often the modernising dynamic ran counter to the trade union and political ones which made for paralysis. It was this as much as any other element which helped produce the Social Democratic split and thus a powerful third party in the Alliance—a party no longer constrained by the inhibitions of Labour's base.

Labour is itself changing, as last week's launch of its Work to Win document showed. The symbolism of Mr Neil Kinnock flanked on one side by his deputy Mr Roy Hattersley and on the other by Mr Norman Willis, the TUC General Secretary, was as powerful as any words. Separate, and not equal, is the message which Mr Kinnock is—tactfully—emphasising. Labour must struggle against ceding to the Alliance the status of a reforming party untrammelled by the need to do deals.

But while corporatism will continue, it has to be understood what kind of corporatism could work. Dr Keith Middlemass, the historian of British corporatism believes that, while the Thatcher years have muted the voices of both the TUC and the CBI, they have not negated the need for a state acting in concert with powerful sections or corporations which may no longer be best represented by these two supposed spokesmen for capital and labour. A future government, whether led by Mr Heseltine or Mr Kinnock, interested in running an honest corporatism would, he believes, need to pay less attention to the national confederations and more to the key people in, for example, ICI or the engineering unions.

There is no resurrecting the Butskellite effort to base decision-making in the economy and in industry on the general counsels of labour and capital — though it is a matter for argument whether it "failed" because it was too highly structured or because it was not highly structured enough. That is a separate question which one hopes Dr Middlemass will address in the three-volume study he is now publishing on whether or not anything else would have worked better. But the actions of companies like that commanded by Mr Gardiner will continue to throw up problems, which he and the electorate will expect the Government to solve in a corporate way.

INTERVIEW

Something completely different

Michael Skapinker talks to a purposeful John Cleese

Ashley Ashwood

JOHN CLEESE'S office, for some reason, proves difficult to find. Just when it seems that the neighbours might have to be consulted, the man himself appears.

Dressed in an anorak and black hat, blue jeans flapping at half-mast, he rounds the corner and strides purposefully into the Holland Park shop he has turned into his workplace.

Inside, the shelves are filled with record album covers of Monty Python's Flying Circus, the zany television comedy series which extended his fame in the 1970s. Among the other memorabilia is a Norwegian version of "Families and How to Survive Them," the book that Cleese wrote with his psychotherapist, Robin Skynner.

To get to Cleese's own office in the basement, one has to step over a facsimile of his features woven into a carpet — a gift from an admirer in the United States. Both Monty Python and Fawlty Towers — in which Cleese immortalised abusive hotel managers — were hugely popular in America.

Other comedians have made their mark since then, but to armies of admirers on both sides of the Atlantic, Cleese remains the funniest of all. But as far as he is concerned, the series belong firmly to the past. "After you've made people laugh for about 10 years the act of making them laugh becomes less rewarding. Then you want to make them laugh to get a point of view across. The trouble is that when you do that, start writing from a point of view, you frequently lose what was funniest. The moment that it becomes special pleading or propaganda it usually stops being funny."

But his comedy writing must, surely, have been of some use to him in his other ventures, such as Video Arts, the industrial and management training film company of which he is a director? "I don't think my Python stuff trained me for much except comedy writing. Arthur Koestler, when he went to Reykjavik to cover the chess between Fischer and Spassky, said the trouble with playing chess is that the only thing it makes you do better is playing chess. My dissatisfaction with comedy writing is I don't feel it has developed me more. It's just taught me how to write comedy, which is a very nice way of earning a living, and making sure the bank manager is happy—and thank you very much, God, for that."

Video Arts, on the other hand, he still finds satisfying. The company was set up in 1971, at the instigation of Tony Jay, a co-writer on the television series "Yes Minister" and "Yes, Prime Minister." The first film, a £4,000 production called "Who Sold You This Then?" was made for service engineers.

"When we were writing it, we rang around for ideas. Tony rang David Dimbleby and David said, 'Oh, I had a wonderful one once. I bought a bit of machinery and plugged it in and used it for three minutes and it exploded.' When the service engineer arrived, he looked at this charred piece of machinery and looked at David in an accusing way and said, 'you've been using this, haven't you?'" Cleese laughs uproariously.

Although he is not involved in the day-to-day running of Video Arts, he is deeply concerned with the writing of scripts and has acted in more than 50 of the films. In 1981 the company won a Queen's Award to Industry for Exports.

Had he always been interested in business? What sort of background did he come from?

"I think I'm an archetypal lower-middle class but university-educated bloke. Dad sold insurance in Somerset — in a rather gentlemanly way — out of an Austin or a Morris 10 in the late '40s and early '50s. My parents were very middle-class in as much as they spoke very correct English. My mother still says 'orf.' But they didn't really have any money, nor did they have a great deal of culture. The most advanced book you would have found in the house was Nevil Shute.

"But Dad read the Telegraph and did the Telegraph crossword and I remember there was always the family dictionary. So that was the kind of background. Then I went on to university, and it's very interesting—seeing my dad was in insurance—that somehow, imperceptibly, I picked up the snob, aristocratic attitudes towards trade and commerce."

At Cambridge, where Cleese read law, anyone who mattered became a solicitor, or a journalist, or a neurologist, "and then of course the BBC."

When, at Jay's invitation, he joined Video Arts, "I got a lot of teasing and chiding from my Python friends who, I think, had a fairly primitive, student-based view of what business or industry were about—that it was the first resort of the crypto-fascist. Anybody who cared would be a doctor or a social worker—or a comedy writer. Whereas anyone who was running a factory was obviously out to oppress people.

His enormously tall frame is now stretched out virtually full-length in his chair, his feet on the desk. He reaches out for some dental floss, flips the container open as though it were a carton of cigarettes, tears off a length of string and gets to work on something between his teeth.

What about his involvement with psychotherapy? He joined a psychotherapy group in the mid-1970s at the suggestion of his GP. He had been suffering from low-grade flu symptoms for two years and the GP could not find anything physically wrong with him.

Cleese had been intellectually interested in psychology since his schooldays. All the same, he began his therapy with some trepidation. "A lot of Englishmen would far rather run over the top of the trenches and towards the German barbed wire and machine guns than stand up in a group with six or seven other people and say they had an emotional difficulty. I remember in the group, for the first 20 minutes everyone was saying they didn't know why they were there because they didn't have any problems. An hour-and-a-half later it was perfectly clear why everybody was there, including myself."

His three-and-a-half years in therapy relieved him of his flu symptoms and left him incomparably happier. They also led to his book. The book is a dialogue with Skynner, his therapist, in which they discuss family relationships and the ways in which these influence behaviour outside the family.

To understand his political outlook, Cleese says, you need to look at a section of the book called "Paranoia and Politics." Briefly, the Cleese/Skynner thesis is that people tend, in the political arena, to regard all the unpleasant aspects of their own personalities as being characteristic purely of the other side. So poor economic performance is due entirely to pig-headed unions, or entirely to incompetent managers, but rarely to a mixture of the two. The more paranoid the politician, the greater the need to distance himself or herself from impure elements; hence the tendency of extremist groups to split into rival factions.

So the healthy person is the moderate person, the one who tries to listen to the other side? "Yes," he says. "Where Thatcher has failed, it seems to me, is in the degree to which she's alienated people. Any government is going to have a large number of people not agreeing with its decisions. But you have to make it clear that you really listened to them and when you decide, you have to explain why you decided. I think Thatcher has no idea how to communicate her decisions in a way that will persuade people, not necessarily that they are right, but that they have been arrived at with care."

Cleese himself came from a Conservative household, but at the end of his time at university became a moderate Labour voter. He is now a supporter of the SDP/Liberal Alliance.

He has appeared in two SDP party political broadcasts. In the most recent, last week, he planned a jibe at London's Islington Council for allegedly banning Baa-Baa Black Sheep from its schools on the grounds that the rhyme was racist. The council failed to win a court order against the broadcast, but the SDP dropped the anecdote anyway.

And what now for John Cleese? He tears off another length of dental floss and winds it round his finger. "More than anything," he says, "I love to sit and read. That's the thing that makes me most content." He recently performed as a time-obsessed headmaster in the movie "Clockwise." At least one more film is on the cards.

But he has gone off performing, he says. He is too introverted. "I've only begun to realise slowly how highly introverted I am. I'm perfectly happy to socialise, but I don't like being a public person. It has brought me a lot, but I would much rather not be recognised in the street."

He has an errand to run. He climbs the stairs back to street level and frets briefly about his photograph appearing. He is growing a beard. Could we make it clear that the stubble on his chin is not there because he forgot to shave? Good, fine, he says, and strides out into the cold Holland Park morning.

PERSONAL FILE

1939 Born, Weston-Super-Mare. Educated: Clifton College and Downing College, Cambridge. MA (Law) 1963.
1968 Married Connie Booth, American actress (Divorced 1978).
1971 First Monty Python film, Now For Something Completely Different.
1975 First series of Fawlty Towers.
1981 Married film director, Barbara Trentham.
1983 Co-wrote Families And How To Survive Them.

THE RAT race
Smith & Westwill

A disgraceful debate

JUSTINIAN

WHEN CAPITAL punishment for murder was abolished in 1965 its proponents asserted that that was the end of the death penalty in Britain for good and all.

Among more cautious abolitionists, however, there lurked irrepressible doubts. Repeated public opinion polls showed that the majority of the public never supported the abolitionists' majority in Parliament, and that the debate about the appropriate penalty for murder was far from dead. Their doubts were well-founded.

The vote in the House of Commons last Wednesday rejecting the ultimate penal sanction for "evil" murders was the latest in a string of Parliamentary proposals over recent years to restore the death penalty, at least for specific categories of murder. The latest debate was quite the most deplorable yet.

Unlike earlier debates, MPs were being asked to insert into an important piece of legislation — be it noted, at report stage, after several sessions in committee—a hopelessly worded provision whereby juries would be asked unanimously to pass judgment, not just on proved facts but on opinions of morality.

Even if the House of Commons had felt the slightest inclination to reverse its repeated rejections of the death penalty over the last 20 years, no responsible legislator could have been in favour of the clause on which members were being asked specifically to vote.

Nevertheless proponents of the death penalty repeated with ever-increasing stridency their passionate belief that the penalty is a deterrent, and that Parliament should not act in defiance of public opinion. No concession was made to the extensive criminological literature that has consistently ruled out the proposition that the death penalty for murder is a *unique* deterrent.

The promoters of this ill-fated clause never addressed themselves to the practical impossibility in current social conditions of carrying out the sentence of death on any convicted murderer, even were a jury unanimously to declare the murder as "evil."

In any event, it is almost inconceivable that any future jury would not contain at least one abolitionist who could block a vote for the death sentence while not affecting a verdict of guilty of murder.

That apart, there are other practical obstacles to enforcement. The legal profession has declared itself opposed to the death penalty. And judges, while no doubt they would loyally apply the law, would feel very unhappy at the prospect of having to pass the sentence of death. Some might even resign. More serious would be the position of the prison service. Since the 1983 debate, prison governors have declared themselves opposed to hanging, or any other alternative method of execution. (Hanging, incidentally, was declared by the Royal Commission on Capital Punishment as the most humane method of terminating a condemned man's life).

Some prison governors would certainly resign; a number of prison officers might follow suit. The prison chaplaincy might decline to take part in the hideous ritual.

This is clearly no time to inflict such a personal dilemma on members of the service, whose morale is currently low.

There is the additional, telling factor of negative public reaction to the penalty during the last years of capital punishment. Ugly scenes accompanied the announcement of an execution outside prison gates.

What, for example, would happen if the main killer of PC Blakelock had been condemned to death — a young man whom the trial judge described as "evil"? The racial dimension involved in that killing could not be discounted in any public campaign for a reprieve.

The restorationists do not seem content to let matters lie. They threaten a return to the subject after the next election. They would do well to be reminded of the judicious examination of the subject conducted by the cautious and discreet civil servant who chaired the Royal Commission on capital punishment of 1949 to 1953.

Sir Ernest Gowers wrote: "Before serving on the Royal Commission, I like most other people, had given no great thought to this problem. If I had been asked for my opinion, I should probably have said that I was in favour of the death penalty, and disposed to regard abolitionists as people whose hearts were bigger than their heads.

"Four years of close study of the subject gradually dispelled that feeling. In the end I became convinced that the abolitionists were right in their conclusions—though I could not agree with all their arguments—and that so far from the sentimental approach leading into their camp and the rational one into that of the supporters, it was the other way about."

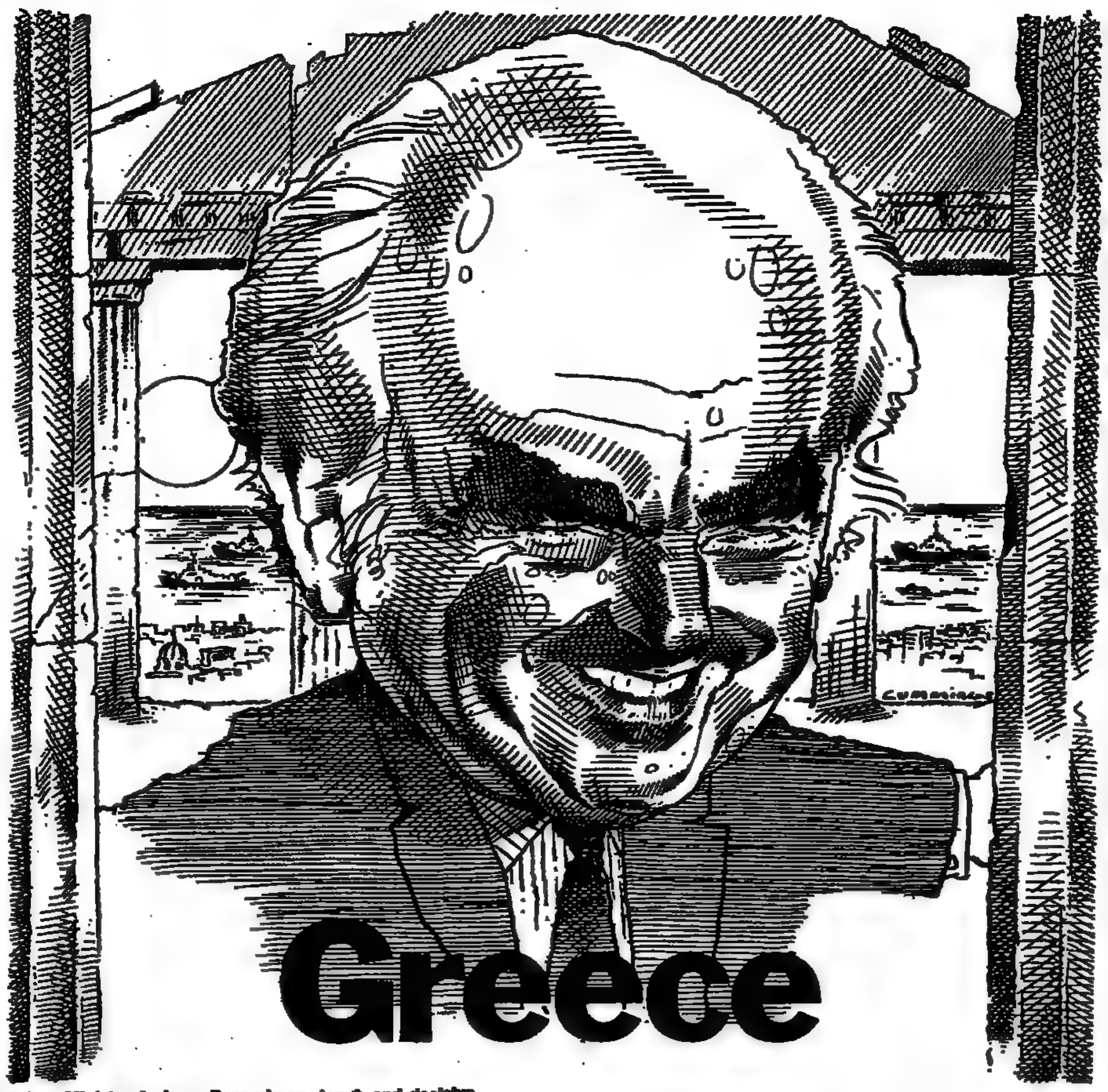
Social conditions change, even within two decades, but the message remains. The emotional appeal of a life for a life is a permissible response in the ill-informed citizen. It has little or no place in the deliberations of Parliament.

FINANCIAL TIMES
SURVEY

Stern measures by the Socialist Prime Minister, Dr Andreas Papandreou, to stabilise the Greek economy are beginning to show benefits. He is also enjoying increased popularity at home over his decisive handling of the Aegean crisis, which brought Athens and Ankara to the brink of war, as Andriana Ierodiaconou reports here.

Monday April 6 1987

Greece



Prime Minister Andreas Papandreou: tough and decisive

Pragmatism pays off

GREEK POLITICS usually aptly illustrate the ancient philosopher Heracleitus' maxim, that all things in the universe are in flux. For the past year and a half, however, Dr Andreas Papandreou's Socialist Government has steered a remarkably steady political course, coloured by pragmatism in economic and foreign policy.

On the economic front the Government has steadfastly applied an unpopular package of economic stabilisation measures introduced at the end of 1985, a few months after the Socialists' second successive landslide victory at the polls against the conservative New Democracy (ND) party.

Apart from a marginal adjustment of salaries at the lower end of the salary scale, the authorities have successfully defended the austerity package against the concerted reaction of left and right wing trade unions, whose combined forces in January and February of this year generated the worst strike wave in the Socialists' 5½-year career in office.

This toughness has begun to pay off. Helped by favourable external factors such as the fall in oil prices, the stabilisation measures—a combination of tight incomes and monetary policies, a devaluation of the drachma, and import curbs—last year reduced inflation from 26 per cent to 16.9 per cent, nearly halved the current account deficit from US$3.275bn to $1.756bn and trimmed the net public sector borrowing requirement (PSBR) from 18 per cent of GDP to about 14 per cent of GDP, compared with 1985.

On the foreign policy front, spurred by a desire to erect a collective allied security shield against a perceived military threat to Greece from neighbouring Turkey, Dr Papandreou has openly moved away from early positions on European Community and Nato withdrawal.

By the same token according to the Prime Minister, Greece has recently signalled its wish to join the Western European Union (WEU). As one Greek official put it, "a new wind of European federalism is blowing in Athens."

At the same time a visit to Athens in March 1986 by the US Secretary of State, Mr George Shultz, launched what Athens and Washington dubbed a "step-by-step" process of smoothing out bilateral relations, which had become tempestuous following the coming to power of the socialists in Greece in 1981.

This process has been rocked by the recent crisis in the Aegean which brought Athens and Ankara to the brink of war. Dr Papandreou blamed the US and Nato for allegedly encouraging Turkey in its claims against Greece, and thus indirectly encouraging the crisis, warning that a Greek-Turkish war would jeopardise the future of the US bases in Greece.

The expectation before the crisis was that the improvement in Greek-US relations, launched by Mr Shultz, would pave the way for striking a new defence and economic co-operation agreement (DECA), extending the tenure of the four American military bases here beyond the expiration of the present agreement on their operation in December 1988.

In an interview before the Aegean crisis, Dr Papandreou had indicated that the talks on the bases would start soon. For budgetary reasons the US has said it requires an answer on whether the bases are to go or stay by the end of next summer.

Even before the crisis with Turkey, the past 18 months had not been without their dark side. In the area of the economy, the authorities have had to count the cost of the Chernobyl nuclear accident, which contaminated Greece's entire 1986 production of durum wheat, of the similarly destructive freak snow blizzards and low temperatures this winter in central and southern Greece. Furthermore, last autumn's earthquake in the southern port city of Kalamata left thousands of inhabitants homeless.

On another level, the Government found it had committed a blunder with respect to the foreign investment climate, which it has subsequently had to try to put right, with the surprise decision in February to assume control of the North Aegean Petroleum Company (NAPC), the international consortium developing offshore oil deposits in the region and Greece's largest foreign investment.

On the external front, Greece's relations with Turkey had been deteriorating steadily over the past year and a half, with a border clash last December in which two Turkish and one Greek guard were killed serving as a grim warning of the volatile climate in Nato's Aegean wing.

The Greek mood has become increasingly uneasy, as frustration over Athen's objections to a strengthening of Turkey's relations with the EEC has unleashed a barrage of hawkish statements from Ankara.

Athens also became increasingly concerned about a recent build-up of Turkish troops in Cyprus, still as much of an open sore in Greek-Turkish relations as in 1974, when Turkey invaded the island following a coup there by the Greek junta. United Nations efforts for a peace settlement have been effectively deadlocked for the past 18 months.

Domestically, Dr Papandreou has had to pay a heavy political price for his pragmatism in the economy and foreign policy fields, a measure of which was provided by nationwide elections for mayors and city councils last October. The Socialists suffered significant losses around the country in the first round of voting, to the benefit of both the conservative and the Communist opposition.

A Communist decision not to support Socialist candidates against conservative challengers in the second round led to the psychologically important loss of the three major municipalities of Athens, Piraeus and Salonika to the right.

The Greek Prime Minister is now faced with the problem of how to recover lost political ground, particularly on the left, before the next general election. The key question is whether he will tackle this problem without altering the economic or foreign policy course he has set since the 1985 vote.

An important factor is the timing of the next general election. So far, Dr Papandreou continues to insist, against widespread speculation to the contrary, that he will see through his four-year term, which ends in June 1989. This scenario would be the most favourable for the economy, in that it would allow the authorities to extend stabilisation measures into 1988, as they admit is necessary.

An early recourse to the polls would allow Dr Papandreou to cash in on the increase in his popularity over the handling of the crisis with Turkey which was seen as tough and decisive. However, it would lead to the premature relaxation of economic policy, with the risk of losing the ground gained in 1986 and 1987.

Perhaps more importantly, Dr Papandreou remains the sole arbiter of events in his own party and the government. A striking illustration of this came in February, when the Prime Minister, in one fell swoop, discharged a band of powerful and ideologically hardline ministers, many of them critics of the government's economic austerity policy, from the cabinet, and dispatched them to the Socialist Party (PASOK) hierarchy.

There, their appointed task is now to revitalise the party machine in advance of the next general election battle. This will not be easy. The party has languished, cut off from the vital policy decisions taken by Dr Papandreou and his immediate aides since the 1985 vote. A large number of PASOK members have dropped out of active party life, while of those who have remained involved, the majority were not members before the socialists' first-ever election victory in 1981 and therefore do not have a strong history of loyalty to the ranks.

One of the most difficult fronts to reconstitute will be that of the trade unions affiliated to PASOK, which split into pro- and anti-Government factions in the wake of the introduction of the 1985 economic stabilisation measures. Dissident socialist trade unionists were a major force behind the anti-austerity strike of the past 18 months.

Those Greeks who decide to support PASOK must, in any case, reconcile themselves to the distinction made by Dr Papandreou following the last cabinet reshuffle between the party on the one hand and the Government on the other.

The Government, while still inspired by PASOK's founding

Continued on page 2

CONTENTS

Key facts and statistics

Head of the Hellenic Republic: President Christos Sartzetakis

Head of Government: Prime Minister Andreas Papandreou

Ruling Party: Panhellenic Socialist Movement, (Pasok)

Population: 10m; employment by sector, %: agriculture 27.5; industry 26; services 46.7

Area: 132,000 sq kms

Currency: Drachma (Dr), equals 100 Lepta

Inflation; 16.9% in 1986; through the year increase in CPI, 10%

GDP at constant prices (% change), 1987 forecast: −0.5 to 1.0

Current account deficit last year: $1.76bn or 4.6% of GDP

Key economic aggregates and other financial statistics, see Page 2

An interview with Prime Minister Papandreou, given shortly before the recent flare-up with Turkey over the Aegean issue. Report by **Robert Mauthner** and **Andriana Ierodiaconou**

'We are at the crossroads'

MR ANDREAS PAPANDREOU, the Greek Prime Minister, in an exclusive interview with the Financial Times, said that he expected his government's 18-month-old economic stabilisation programme to extend into 1988 in some form, though it was originally conceived to last only two years.

"You don't say from one day to the next that a stabilisation programme has ended and an expansionary policy is beginning. We are aiming for an overlap," he said.

Mr Papandreou stressed, however, that come next year, the Government would have "to take care of some of the country's more crying social needs," despite the continuation of its austerity policies.

It was also imperative for Greece to modernise its industry. "Our decision is to leave the classical industrial structures and products and try to make the big jump to modern technology in fields such as microelectronics, computers and biotechnology," he said. For that, an entirely new entrepreneurial class was needed.

Mr Papandreou said that within the next month the Government expects to invite tenders from foreign companies or consortia for its recently announced drachmas 3 trillion public works programme, including financing proposals. He repeated his invitation to foreign investors, made at the world economic forum in Davos, Switzerland, in which he emphasised that they would be welcome in Greece.

Asked whether the recent decision by the Government to acquire a controlling interest in the North Aegean Petroleum Company (NAPC) did not conflict with his declared policy on foreign investment, Mr Papandreou replied: "It is unfortunate that we have been literally forced to do this. It has nothing to do with our policy on foreign investment."

The Prime Minister's view was that oil exploration activity in the sensitive area of the North Aegean, where Greece is involved in a continental shelf dispute with Turkey, provoking almost daily incidents, should be under the control of the Government.

"The decision of where and when to do a drilling operation in the Aegean could not be allowed to happen without the Government's green light."

However, Mr Papandreou strongly intimated that a compromise with the foreign companies in the consortium could be reached.

"We have tabled a bill which makes clear that negotiations can take place between the two parties within a three-month period. We are not looking to buy out the company if the company is prepared to accept a Greek veto. I repeat, it does not in any way alter our overall policy towards foreign investment."

Turning to Greece's role in international affairs, the Prime Minister said: "Greece is a country at the crossroads: east-west, north-south, in a very literal sense. It is a country that is European, Mediterranean and Balkan, and a foreign policy that takes the stereotype of East-West as a basis of developing a policy does not suit us."

Mr Papandreou said he did not like the notion of countries belonging to blocs but that Greece's reasons for staying in Nato—a policy which he reaffirmed—had to do with matters of national security specific to Greece.

"Leaving Nato, speaking absolutely realistically would make it far easier for Turkey to unleash a war against Greece. At least by being in it, it is difficult for Nato to remain inactive. This does give a modicum of security to Greece, even though the Allies are not prepared to say they have an obligation to defend Greek frontiers if the attack comes from another member."

The Prime Minister indicated that for the same reason Greece had recently applied for membership through diplomatic channels of the seven-nation Western European Union, though he expressed doubts that the application would succeed.

The Prime Minister's remarks underlined his view that Greece's tense relationship with Turkey was by far the country's main foreign policy problem affecting almost all other aspects of its foreign relations, whether with the US, Nato or the European Community (EC).

Asked whether there had been any progress at all over the past year or so towards improving relations with Anakara, Mr Papandreou replied: "No, the opposite is true."

"We have a very simple position. There is a legal status of the Aegean based on certain international treaties which have held for decades," he said, referring to the treaties of Lausanne, Montreux and Paris which define Greek and Turkish rights in the region.

"We very simply say that we are not prepared to give up this legal status. Our position is also consistent with the Helsinki Final Act under which frontiers are not to be changed."

"The Turkish position reminds one very strongly of the 'Lebensraum' philosophy of Adolf Hitler and Dr Goebbels," the Prime Minister said, pointing to statements by Turkish leaders which he alleged "confirmed what we had said for a long time that, really, Turkey is not prepared to accept the present legal status of the Aegean."

"They rely on a different legal concept called equity. They argue that their country would soon be seven times the size of Greece. They say it in these words: "We shall become stronger and then you'll have to agree with us."

Mr Papandreou stressed that Greece had made an offer to take the dispute over the Aegean continental shelf to the International Court of Justice at the Hague and that this offer "still stands." But Turkey had refused to go to the Hague.

Mr Papandreou also referred to the increase in Turkish troops and the presence of tens of thousands of Turkish settlers in North Cyprus, as developments standing in the way of peace moves.

"Cyprus is an independent state. We believe strongly that neither Greece nor Turkey have any business mingling in Cypriot affairs."

There were two things on which Greece was not prepared to compromise: it insisted on the departure of all foreign troops, including Greek and Turkish, from the island, except for the British sovereign bases. Secondly, there must be an international guarantee for the security and integrity of Cyprus.

The Prime Minister said he deeply regretted recent statements by Mr Caspar Weinberger, US Secretary of Defence and Mr Richard Perle, Assistant Secretary of Defence, describing the Turkish military presence in Northern Cyprus as purely defensive and not posing a threat to the Greek Cypriots. He added, however, that a reasonably satisfactory clarification was later made by the State Department spokesman.

"We are disturbed that there is now a US Administration effort to turn Turkey into a major ally, because it does have the biggest standing army in Europe.

"It seems to me there should be an obligation on the part of the US to make sure that the armaments which are offered so generously to Turkey should not be used against Greece. Why must Greece pay because Turkey is important?"

Mr Papandreou nevertheless indicated that the overall relationship between Greece and the US had improved over the past year and that the US had "displayed quite a bit of understanding" in the regular dialogue which had been started between the two countries.

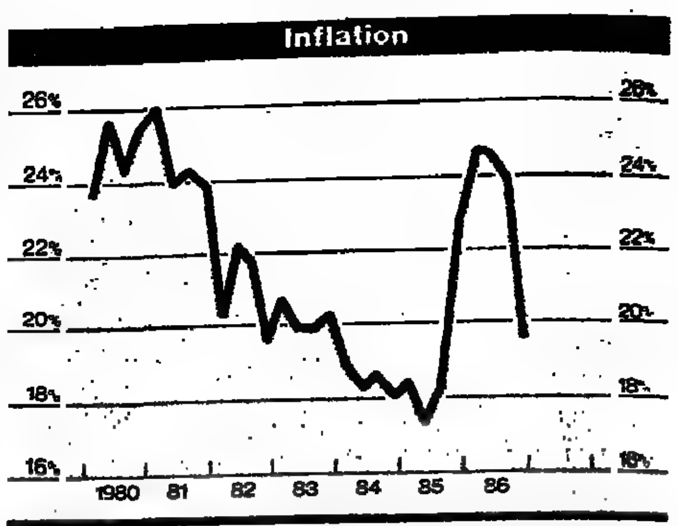
On the major outstanding issue—the future of the four military bases in Greece beyond December 1988 when the present five-year agreement on their operation expires—the Prime Minister gave the clear impression that he expected negotiations between the two countries to begin fairly soon. He said the talks would have to be held on "a zero basis."

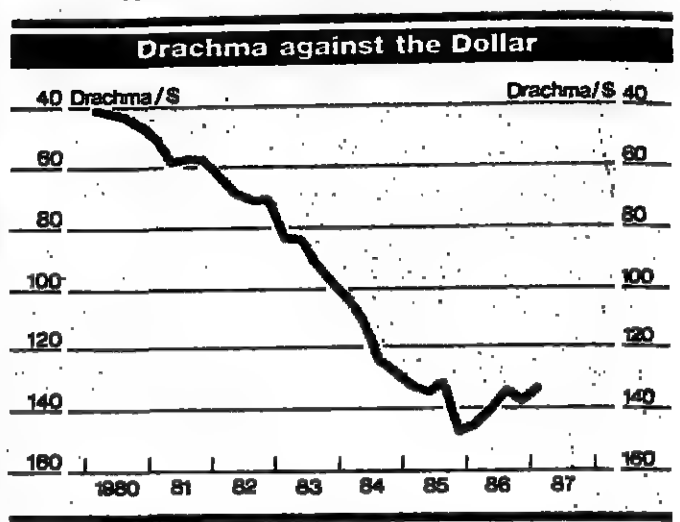
This meant that the negotiations would start completely from scratch. There was absolutely no prior commitment on the Greek side based on the current agreement. As long as this was accepted, a dialogue between the US and Greece on the bases was possible.

Modernisation of industry is imperative, says Dr Papandreou, (left). With him is the Deputy Prime Minister and Defence Minister, Yannis Haralambopoulos.

Outcome of economic reforms

Nearly on target





WHEN THE Greek Government introduced its two-year economic stabilisation programme at the end of 1985, it was greeted with considerable scepticism both at home and abroad.

Though by Greek standards, the austerity package was certainly severe and marked a radical reversal of not only the Socialist, but previous governments' policies, critics felt that it either did not go far enough, or that the Government would not be able to hold the line under the pressure of its supporters.

Many years of economic mismanagement and neglect had left the country with serious imbalances in its public sector and external accounts, a soaring foreign debt and a rate of inflation which was running completely out of control.

To deal with this galloping infection, and to satisfy its EEC partners who had been asked to provide Greece with a six-year Ecu 1.75bn loan, the Government concocted a bitter but well-balanced medicine. Its ingredients were a 15 per cent devaluation of the drachma, the imposition of an import deposit scheme, an incomes policy based on a substantial modification of the wage indexation system and a reduction of the public sector borrowing requirement (PSBR).

The Government's strategy, designed in the first place to bring about a lasting improvement in the balance of payments and a drastic reduction in the rate of inflation, and thus to lay the foundations for sustained long-term growth, involved a step-by-step approach.

It was based on the assumption that the process of recovery would take time, certainly much more than a year, and that specific targets had to be set against which its progress could be measured.

Remarkably, given the seriousness of the situation and the Greek's well-known aversion to anything that smacks of belt-tightening, the authorities have come very close to meeting these targets in the first year of the stabilisation programme. Progress has at least been satisfactory enough to allow Greece's European partners to release the second tranche of the EEC loan, which was made on condition that certain economic criteria were met.

The current account deficit was halved last year to $1.76bn or 4.6 per cent of GDP (target $1.7bn) from $3.2bn in 1985, the rate of inflation was reduced to 16.9 per cent (target 16 per cent) from 25 per cent in 1985 and the PSBR was cut, practically as forecast, from 17.9 to 14 per cent of GDP.

Mr Costas Simitis, the Economy Minister, and his officials do not deny that external factors contributed in no small measure to the improvement in the balance of payments. A sharp cut in th oil import bill as the result of lower oil prices acconnted for more than $1bn savings, while net inflows from the EEC were up by $524m.

On the down side, however, officials stress that the terms of trade gain from lower oil prices has been offset by the weakness of some of Greece's traditional market in the OPEC countries and Eastern Europe, the Chernobyl nuclear accident, which led to a sharp rise in imported foodstuffs and affected Greece's wheat exports and a substantial reduction in the number of American tourists.

Equally, only about half the reduction of 4 per cent in the PSBR last year can be attributed to a combination of spending cuts and increases in normal tax revenues, while the rest represents the proceeds of a windfall tax on oil, with the result that oil price savings were not passed on to the consumer.

Even though the reduction of the rate of inflation can be put down mainly to the success of the Government's restrictive incomes policy, it was certainly helped by the temporary prize freeze imposed last November for three month to contain the impact of the introduction of VAT at the beginning of 1987.

That event, though it took place after two extensions of the original EEC deadline of January 1 1984 which should have given the administration and the business world plenty of time to prepared for it, was somewhat of a traumatic experience for a country where tax evasion is a national pastime.

In general, Greeks are even more loth to register their commercial transactions on official documents for tax purposes than most people and officials admit that it might take the small businesses, which account for the bulk of the country's business activities, two or three years "to get used to" the new system.

Small and medium-size business representatives added their protests to those of the combined forces of the left and right-wing trade unions, which organised strikes at the beginning of this year against an extension of the Government's restrictive wages policy for another year.

But the Government held firm, granting only small adjustments of the wages of the lowest paid, and has pledged to continue its incomes policy until the end of 1987.

The Government has set itself a difficult task for 1987 and may find it even more of an effort to realise its objectives than it did last year. Though its rew target of bringing down the current account deficit to $1.25bn should not be too hardto attain, there is noticeably less official confidence about meeting the 10 per cent inflation target or achieving a further reduction of 4 per cent points in the PSBR.

Repayments of principal on the country's $16bn debt reach a hump over the next few years, adding to the Government's financing problems. An undertaking has been given to the EEC as a condition for disbursal of the second tranche of its loan that Greece will accelerate the dismantling of its exports subsidies system over a four-year period and abolish entirely its import deposit scheme by April this year, thus putting further strains on the trading account.

Moreover, as the austerity programme has begun to bite, pressures from the trade unions and the business community, to say nothing of the left-wing of PASOK and the Communists, have been mounting.

Mr Papandreou is on record as saying that an economic stabilisation programme cannot be terminated from one day to the next but, at the same time, ministers have indicated that the strict incomes policy, which led to a cut of 8 per cent in real wages last year, could be relaxed in 1988.

Meanwhile, industry and business reprsentatives have been clamouring for measures to stimulate stagnant private investment, in order to provide the conditions for resumed growth, after a rise of only 0.5 in GDP last year.

The least that can be said is that the Government will have a hard time keeping the tiller steady and preventing the good results which have been achieved so far from being wiped out.

ECONOMIC AGGREGATES

	1985	1986 (a) Targets	1986 (b) Outturn	1987 Targets
Current account balance:				
In $m	−3,276	−1,700	−1,756	−1,250
As % of GDP	10.0	5.1	4.6	3.0
Inflation:				
Through year increase in CPI (%)	25.0	16.0	16.9	10.0
Net PSBR:				
As % of GDP	17.9	13.9	14.0	10.0
Monetary aggregates (% change):				
Domestic credit expansion	26.0	17.0	18.2	11.2
M3	26.8	20.0	19.8	15.4
GDP:		Forecasts		Forecasts
At constant prices (% change)	2.2	0 to −0.5	*0.6	−0.5 to −1.0
Unemployment:				
As % of labour force†	7.8	‡	7.6	‡

* Provisional estimate.
† Annual sample survey in second quarter each year.
‡ No change or small rise.
Source: Ministry of the National Economy.

Key financial statistics

	1984	1985	1985	1987*	1988*
Total external debt (in $m)	12,318.1	15,224.7	16,205.7	—	—
External debt payments (in $m)	1,856.3	2,085.9	2,425	—	—
a. Interest	1,070.1	1,222.0	1,340	—	—
b. Amortization	786.2	863.9	1.085	1,500	2,000
Private investment (in $m, constant prices 1970=100)	48,070	49,090	51,800	52,800	—
(rates)	(−14.2)	(2.1)	(5.5)	(2.0)	—
Private long-term capital inflow (in $m)	1,058.5	910.7	856	1,000-1,200	—
from which entrepreneurial	246.2	289.7	300	350	—

*Bank of Greece Projections
Source: Bank of Greece and National Accounts Service.

Pragmatism is now paying off

Continued from page 1

charter, must according to the scheme outlined by the Prime Minister, nevertheless take into account the political, military and economic constraints which are a feature of the real world.

By the end of this year, it is hoped to have reduced inflation to 10 per cent, the current account deficit to US$1.25bn and the net PSBR on a cash basis to about 10 per cent of GDP.

From a tactical point of view, putting off elections until 1989 would also allow the government to show some progress on what is now emerging as a major plank of the Socialists' next campaign platform—the execution of a DRS3 trillion (thousand billion) public works project package, including the construction of a new airport north of Athens and an extension of the Greek capital's urban railway system, with the help of outside financing.

The Prime Minister's room for manoeuvre is expanded considerably by the deficiencies of New Democracy, Greece's main opposition party and the socialists' only serious rival. The conservatives' morale was boosted by the October municipal elections, the results of which have been reinforced by signs of an increase in ND's popularity in the student movement and among professional groups.

However, the party is still hard put to it to present convincing alternative economic and foreign policies to those of the government.

In addition, the position of ND's leader, Mr Constantine Mitsotakis, reinforced by the local elections, is now once again assailed from within. Press rumours of a possible political comeback by the founder of ND and former Greek president, Mr Constantine Karamanlis, are seen as symptomatic of the factionalism and lack of direction afflicting the party, while squabbles in the youth movement have not helped the conservatives' image.

The party's role, however, should be that of the standard-bearer for an ideal world, in which there are no wars, no military blocs, no bases or nuclear weapons, and no rich or poor. This was the world Dr Papandreou promised the Greeks when he came to power in 1981. If he has not delivered it, he can still present himself to the country as the man who would have liked to and tried.

Andriana Ierodiaconou

Foreign Policy

More obliging to friends now

THE WESTERN world's "odd man out," as Greece has been described by its allies and European partners, irritated by what they consider to be the unnecessarily eccentric and even hostile postures adopted by Athens on a number of major international issues, has lately become somewhat more accommodating—except towards Turkey.

Whatever the reasons—economic pressures and the Socialist Government's recent electoral setbacks may have something to do with it—Mr Andreas Papandreou, the Prime Minister, appears to be taking much greater care not to offend his friends.

"The odd man in" would now be a more appropriate label, a diplomatic observer suggested. It is not that Mr Papandreou, a professorial figure with presidential charisma and, some would say, powers, has changed his fundamental views. It is that he has progessively adapted them to the economic and political realities of a world on which Greece is dependent, while maintaining a specifically Aegean view of his country's interests and role.

Thus, there is no longer any talk of leaving Nato or the European Community and a much more benign attitude towards the US and the problem of American bases on Greek soil.

Yet it would still be true to say that Greece, "the cradle of western civilisation," does not feel itself to be fully part of the modern western world.

While denying any suggestion that he ever had any thoughts about taking Greece into the Eastern bloc, Mr Papandreou firmly rejects any notion that his country's foreign policy should be based on a permanent east-west confrontation.

As a country at the crossroads between east and west and north and south, as the Prime Minister sees it, with at one and the same time a European, Mediterranean and Balkan vocation, Greece necessarily has somewhat different priorities than Western Europe and the US. It wants to act as both a bridge between east and west, on the one hand, and Europe and the neighbouring Middle Eastern region on the other.

What Mr Papandreou's critics like to describe as his "U-turn" on Nato membership is much less of a complete reversal of earlier attitudes when the reasons behind it are examined more closely. Greece has not decided to remain in Nato because it wants to be part of the West's collective security arrangements to counter any threat from the Warsaw Pact.

As Mr Papandreou made crystal clear in the Greek Parliament during a debate on national defence last January, the threat from the east which worries him, above all, comes from Turkey.

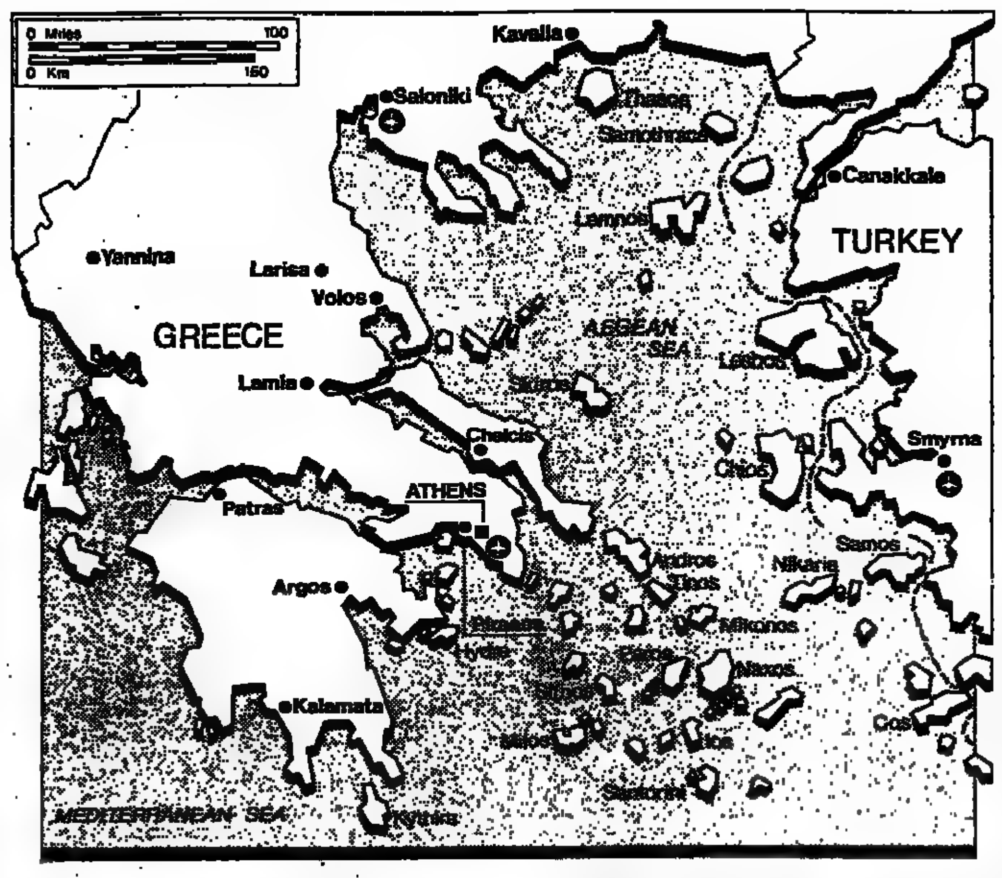
Even though Nato refused, in 1981, to grant Greece's request for a general declaration by the Alliance that it would undertake to defend its members against any aggression, wherever it came from, Mr Papandreou still considers Greece's membership as affording protection against Turkey. Nato could not just stand by with arms folded if one of its members were attacked by another, the Prime Minister has pointed out. However, if Greece were to leave the organisation, that would make war with Turkey much more likely.

The perceived threat from Turkey to its national security and territorial integrity runs like a black thread through the whole fabric of Greece's foreign policy, defying any attempts to find rational solutions.

If the Greeks appear somewhat more obsessed and emotional about their relationship with Turkey than the object of their fears, it is because they feel a deeper sense of insecurity, faced as they are by a neighbour with seven times Greece's population and one of the biggest standing armies in the west.

It is that sense of insecurity which led Mr Papandreou to ask for a Nato guarantee to defend members against aggression from whatever source it came and also to the recent application by Greece for membership of the seven-nation Western European Union, essentially an organisation dealing with European defence.

If anything, the historical enmity between the two countries, dating back to the Ottoman empire and Greece's struggle for independence, has become even more acute over the past year.



Not a single item in the bulging file of disputes, which contains such explosive issues as the Cyprus problem, quarrels over the Aegean continental shelf and air space, Turkey's declared intention to apply for EEC membership and Nato military manoeuvres in the Aegean, implying the militarisation of at least one island, is anywhere near solution.

Progress towards a Cyprus settlement could be the key to a wider detente, but the latest effort by Mr Perez de Cuellar, the United Nations Secretary-General, to set up "parallel talks" between Greek and Turkish Cypriots has again foundered.

This time it was Mr Rauf Denktash, the Northern Turkish Cypriot leader, who refused to go along with the UN proposal, arguing that the Greek Cypriot government must first of all accept a UN draft for a power-sharing federal constitution before meetings between the two sides could be held.

At the root of the problem, as far as the Greeks are concerned, lies the continued presence of Turkish troops in the northern Turkish region of the island, which they invaded in 1974, and the subsequent unilateral declaration of a self-styled "Turkish Republic of Northern Cyprus."

The Greek Cypriots, backed by Athens, want the Turkish troops out before the implementation of a settlement, whereas the Turkish Cypriots want to keep them there until the new federal system is in place. The situation has lately become exacerbated with the reinforcement of Turkish troops on the island to some 35,000 and the arrival of new military equipment from Turkey.

Meanwhile, tension between the two countries in the Aegean reached a climax at the end of last month when mutual sabre-rattling nearly led to a military clash. The immediate cause was a dispute over oil-drilling rights in the North Aegean, off the island of Thassos, where a Greek-based international consortium was planning to start drilling. The Turks claimed that these operations contravened the Berne Agreement of 1976 between the two countries.

A depressing indication of the state of relations between the two countries is that a Greek offer to take the dispute over the continental shelf to the International Court at The Hague has been turned down by Turkey, thus making it even more unlikely that the problem will receive calm consideration.

In the circumstances, the improvement in Greek-US relations since the spring of 1986 through a series of regular dialogues between officials and Foreign Ministers has brightened an otherwise cloudy horizon.

Washington has now accepted Mr Papandreou's convoluted condition that the current five-year agreement on US bases in Greece cannot be renewed when it expires in 1988, but must be renegotiated from scratch. However, the implication of all his statements is that the Greek Government is prepared to continue accepting US bases on its soil, even if one of them, Hellinikon, on the outskirts of Athens, may have to be sacrificed.

The wider significance of the improved relationship with Washington and, indeed, of Greece's membership of the EEC and Nato, is that its international affiliations provide a restraining hand on temptations to escalate the conflict with Turkey.

That, of course, is equally true of Turkey. Aegean and Asian powers Greece and Turkey may be, in the first instance, but their Nato and European connections have probably prevented, so far at least, a very nasty military conflict.

Robert Mauthner

Profile: Theodore Pangalos

An international outlook

A FALSTAFFIAN figure, who clearly likes the good things of life, Theodore Pangalos, the 50-year-old Deputy Foreign Minister in charge of European Affairs, has done more than anyone else in the Greek Government to counter the widespread impression that Greece's commitment to European unification is at best lukewarm.

He has been helped in this task by an immensely likeable personality, an irrepressible sense of humour and an international outlook influenced by many years of political exile in France during the seven-year period of the military dictatorship, during which he was deprived of his Greek citizenship.

Those years of exile were devoted to promoting the return of democracy in Greece, but they were also used to good effect in lectures at the Sorbonne on economic development and planning and running post-graduate seminars on aid to African countries.

If Greece is sometimes perceived as unnecessarily obstructive within the Community, Mr Pangalos puts this down both to the difficulties faced by a new member to adapt itself to unfamiliar policies and concepts and to his country's specific geographical location and interests.

"The British were in exactly the same position for several years after they joined," he maintains. "It must not be forgotten that when Greece entered the Community it was the only Mediterranean and underdeveloped member country at the time."

After all, Mr Pangalos points out, Britain was the odd man out during the Community discussions on financing and South African sanctions.

During the last three years, however, progress towards Greece's integration into the Community had been rapid. The number of complaints against the Greek Government before the European Commission had been reduced from 265 to 130 and there were now no more than 11 cases about Greece's non-compliance with the Treaty pending at the European Court of Justice. In other words, Greece was now no more than "an average offender."

Mr Pangalos is a firm advocate of the new Community financing proposals put forward by Mr Jacques Delors, the President of the European Commission, and rejects suggestions that Greece's position is based merely on the likelihood that it will obtain even more funds from the EEC treasury than it does now.

Mr Pangalos, Deputy Foreign Minister in charge of European Affairs: a firm advocate of new Community financing proposals.

"The new financing proposals do not benefit us a lot. The final bill for Greece will be almost exactly the same as we have now (namely that Greece benefits to the extent of some Ecu 1.4bn net per year). But we think the Delors plan is a correct one, for reasons of principle and adherence to the treaties.

"The Delors proposals take into consideration the relative wealth of member countries. They solve both the British budgetary problem and those of Spain and Portugal, which are not benefiting as much financially from the Community as they should be."

In addition, Mr Pangalos stresses, the doubling of funds spent on regional, social and structural problems is not Mr Delors' own idea. It was included in the Fontainebleau package of 1984, which dealt with Britain's budgetary rebates.

"The fact that it hasn't been implemented until now doesn't weaken it, it makes it more pressing," he says.

There were two ways of approaching the whole problem. The one was technical: to see that every member benefited more or less equally from the Community's policies. The second was that there must be a policy of "cohesion" between member states if they were ever to proceed to political union.

"That means that those who have more should find some appropriate way of strengthening those who have less," he adds.

Mr Pangalos categorically rejects any suggestion that Greece is "soft" on terrorism, in spite of its refusal to go along with the Community's stand on Syria after the trial in London of a Jordanian found guilty of trying to blow up an Israeli airliner with the alleged collusion of the Syrian embassy. Greece was as firm as anyone else in condemning people involved in terrorist acts.

"But we were not ready to say what the 12 finally said, that it was the feat of the Syrian government," he says.

"The problem in the Middle East is that you can't possibly separate the question of terrorism from the political situation which has created it. Using the occasion of the trial in London of an individual involved in a terrorist act to cut off the Community from Syria was very serious and we were not prepared to participate in it."

As far as Turkey's intended application for membership of the Community is concerned, Mr Pangalos is uncompromising in his opposition to any such move.

It was inconceivable that Greece would agree to Turkish participation in the Community as long as bilateral problems such as the Cyprus and Aegean disputes were not settled to its satisfaction.

"All the member countries without exception do not want a further enlargement of the Community to the South. What we should tell the Turks is that they should not apply because it would be a hostile act towards the Community in the present situation."

Robert Mauthner

Banking and Finance

Interest rate war

BANKERS in Greece are likely to look back on 1987 as a landmark year. Last February, a committee of state bank and economy ministry officials unveiled a comprehensive package of proposals for the liberalisation of the Greek banking system, by dismantling the existing complex system of reserve requirements and regulated interest rates which are negative relative to the 17 per cent rate of inflation.

The proposals, which build on a reform effort which has been quietly under way since 1983 on the initiative of the Bank of Greece, also envisage a rationalisation of the role of the central bank, and the development of an active capital market, in three phases.

So far over the past three years the Bank of Greece has consolidated the previous web of over 100 interest rates in four basic rates, and relaxed the case control of lending by the central bank, allowing individual banks greater freedom to set their own portfolios.

As the first sample of the changes to come, the Bank of Greece issued a decision at the end of February, setting banks free to determine their own interest rates on seven day to three month time deposits, thus sparking off the first ever interest rate war in the history of the Greek banking system. The gauntlet was thrown down in mid-March by Barclays with an offer of a 9 per cent annual rate on seven day time deposits, 12 per cent for one month and 13 per cent for three months, for a minimum deposit of drachmas 25m.

The reform plans have been greeted warmly by both Greek and foreign bankers. State banks account for about 80 per cent of the market in Greece, with foreign and small Greek private banks sharing the remainder. Their only criticism is that the committee has not set a specific time-table for the implementation of its proposals, which have to be discussed over the next months with banks and trade unions.

"The reform package has pleased everybody. It is a step in the right direction. We only hope that it won't turn out to be a case of the spirit being willing, but the flesh weak," one banker says.

At the same time bankers say they share the committee's position that a radical reform of the banking system has to be predicted upon the success of the government's current efforts to stabilise the economy, particularly in the areas of inflation and public sector spending.

"Freeing interest rates is one thing. But you can't talk about liberalising the banking system without doing away with compulsory reserve requirements, which right now are the source of funds for public sector corporations and organisations.

"It's very unorthodox, for example, to have social security financed by the banks. That money should come from the state budget," one Greek state bank manager comments.

Bankers believe, however, that freeing deposit rates should be combined with freeing lending rates, dismissing fears that the latter would lead to a sharp increase in the cost of capital for the troubled industrial sector.

Despite problems, most banks report satisfactory profitability. Plans for the liberalisation of the banking system have been warmly greeted by Greek and foreign bankers alike

"Suppose lending rates were freed, and we decided to go for cut-throat interest rate increases, from the 21.5 per cent we have today to 26 per cent for example. We would drive our customers under—and we would go under with them. Our interests are in fact interlocking," says a banker.

"By starting the liberalisation of interest rates on one side of the balance sheet only it is made difficult for banks to exercise asset-liability management."

Both Greek and foreign banks say they have been severely affected by the liquidity squeeze generated by the Government's economic stabilisation programme launched at the end of 1985. The Economy Ministry's view is that this squeeze has had a beneficial effect, in that it has forced banks to rationalise their portfolios.

"Banks are having to be more selective regarding who they can lend to, and that's not a bad thing," says an official, invoking the case of dozens of financially ailing firms with debts of billions of drachmas to the banking system, which the government has taken in hand under a costly rescue programme.

Despite problems, banks say profitability remains satisfactory. Greek banks cite net profit ratios in relation to own capital of the order of 17 per cent, while foreign banks estimate returns on capital ranging from 12 per cent to 16 per cent.

"Some have run into trouble over bad industrial or shipping loans—it's largely a matter of luck. But on the whole, foreign banks are making money in Greece," comments a foreign bank manager. The challenge for Greece, foreign bankers say, is to attract new banks.

A recent Bank of Greece decision simplifying existing procedures for the repatriation of profits is seen as a welcome, but not sufficient, gesture of goodwill. Foreign banks say their most important problem is that of drachma funding.

"Right now our life-blood is dollar to drachma swaps with the central bank. We would like more indigenous funds for indigenous loans, so that we are not working against country limits," says one.

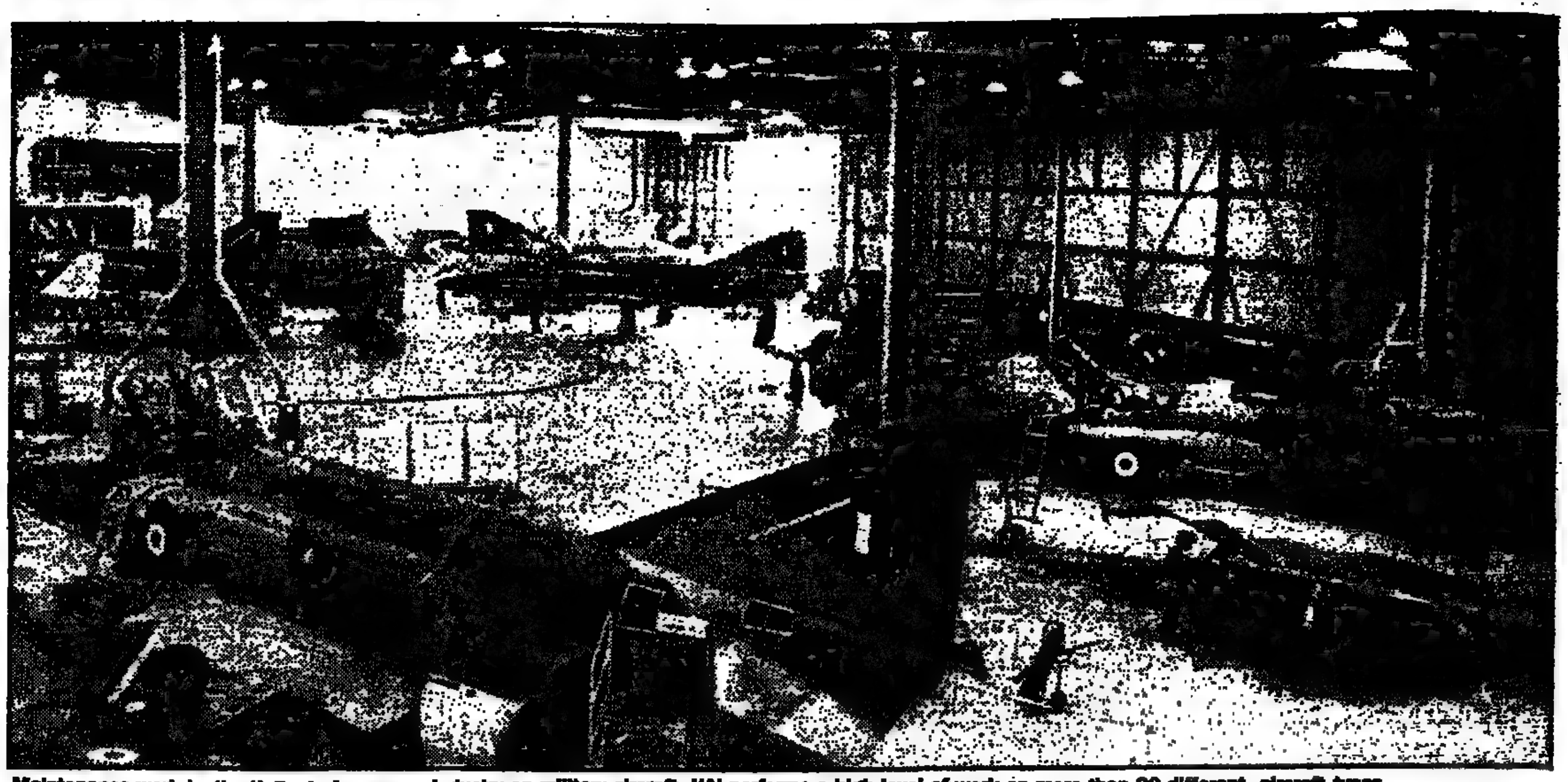
Another key reform in their view is the full liberation of foreign exchange controls, to accompany the normalisation of interest rates.

"Failure to push these reforms through won't mean an exodus of foreign banks from Greece. However, it will mean no new banks are going to come here, and that the foreign banks' share of the market, about 14 per cent, will shrink in favour of small and medium size Greek banks," predicts a foreign banker.

Greek bankers meanwhile add that, in their view, the market can support more local private banks, and that the main area of future competition will be that of retail banking services.

"The name of the game will be how to attract savers, particularly if the stock exchange starts moving," says one.

Andriana Ierodiaconou



Maintenance work by the Hellenic Aerospace Industry on military aircraft. HAI performs a high level of work on more than 20 different aircraft types

Prospects for manufacturing

Industry faces a deadline

THE PRESIDENT of the Federation of Greek Industries (SEB), Mr Theodore Papalexopoulas, has a vision for the future. It is that of Greek enterprises successfully competing in a single European Community market.

"The single European act has generated a unique opportunity. In January 1992 we will be in open competition with the other member states in a single market. That is exactly four years nine months and one week from now. Meeting that deadline is the challenge," says Mr Papalexopoulos.

Looking abroad, in the federation's view, is the most effective remedy for the difficulties Greek industry faces at home, where the application over the past 18 months of an economic stabilisation programme designed by the Government to reduce inflation and Greece's domestic and external deficits has proved a mixed experience for industrial companies.

On one hand, industry has benefited from the two-year virtual freeze of wages and salaries in the public and private sector imposed by the Government in October 1985, which halted the rapid escalation of labour costs marking the previous four years.

A 15 per cent devaluation of the drachma, followed up with a policy of sliding depreciation to maintain the effective exchange rate against a basket of currencies, gave a competitive boost to Greek exports, which, in 1986, according to the Commerce Ministry, scored the most successful performance of the past seven years.

On the other hand, industries have been feeling the result of the 8 per cent decrease in real disposable income last year. This, coupled with the severe credit squeeze deriving from the Government's effort to reduce domestic credit expansion to 17 per cent relative to 27.3 per cent in 1985, led to a virtual standstill in industrial production last year.

According to Economy Ministry forecasts, consumption is expected to decrease by 1.2 per cent in 1987, accompanying a further reduction of between 2 and 3 per cent in real disposable income.

Shortage of capital will continue, as the authorities strive to reduce expansion of commercial bank credits to the public and private sector to 11.2 per cent this year.

SEB hopes, however, that in the course of 1987, the Bank of Greece will be able to meet industry's long standing demand for a reduction of lending rates. The authorities have indicated that lending rates will be brought down when deposit rates become positive relative to inflation, which they hope to reduce to 10 per cent compared to 16.9 per cent in 1986 by the end of this year.

This year, above all, is expected to be "the year of truth" for Greek export industries, as the authorities begin to dismantle the existing regime of export subsidies to comply with EEC regulations.

Subsidies were cut to 45 per cent of previous levels last January, and are to be completely eliminated in three equal annual stages by 1990.

The Government announced a package of export promotion measures intended to compensate for the loss of subsidies in March, including exemption from value added tax, improved export financing services and plans to establish trading companies.

Despite this move, however, in the view of the Institute of Economic and Industrial Research (IOBE), an Athens-based private research organisation, a number of Greek export industries can be expected to close down in 1987, adding to unemployment, which is conservatively estimated to stand at approximately 10 per cent.

On balance, however, IOBE expects Greece's export-earnings to continue to go up this year.

"There will be a weeding out of a lot of pseudo-exporters who were actually just pocketing the subsidies without doing a proper job, as well as a painful process of the survival of the fittest," comments one analyst.

On the investment front, industry has pinned its hopes on the financing opportunities provided by the EEC Integrated Mediterranean Programmes (Imps). In 1986 the Economy Ministry approved 102 investment project proposals, submitted under the Imps scheme, of a total value of Dr 54bn.

According to ministry figures, private investments went up by 5.5 per cent last year, mainly reflecting an increase in construction, while a further 2 per cent increase is expected in 1987.

Investments, however, decreased overall last year due to a sharp 19.8 per cent drop in public investment, which is expected to register a further 5 per cent reduction in 1987. Despite attractive incentives, an uncertain business climate has kept foreign investment at very low levels.

SEB's major complaint against the Government is of "fostering a privileged public sector at the expense of the private," and of not having taken decisive-enough steps to dismantle interventionist controls which were the legacy of previous conservative administrations, including regulated prices and interest rates and restrictive labour legislation.

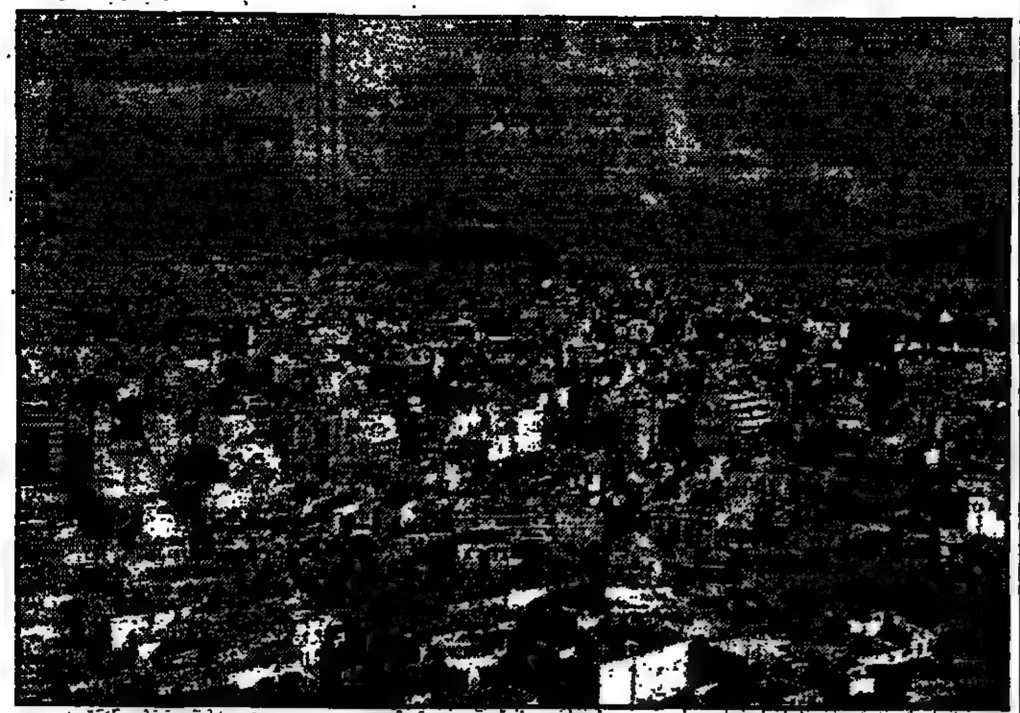
To show the public sector's dominant role, IOBE estimates that with an expected increase in budget expenditures of 18.6 per cent and assuming an 11.9 per cent increase in nominal GDP, the public sector's share of spending is to go up this year to 45.12 per cent of GDP from 42.5 per cent of GDP in 1986.

The Government for its part often blames Greek industrialists for a lack of entrepreneurial spirit on which the future of the Greek economy largely depends. It was in this spirit that Dr Andreas Papandreou, the Prime Minister, recently called for "a new class of entrepreneurs" to move Greece's industry forward.

"We can talk about stabilisation for as long as we like, but the real problem lies with the modernisation of the economy," says an Economy Ministry official. It is a problem which the federation of Greek industries has taken to heart.

Andriana Ierodiaconou

Shops and restaurants in the Plaka district of Athens, the capital city and home of 4m people, or just under half of the nation's population. With more than a million cars in circulation, the streets of central Athens are often blocked with traffic jams, helping to cause a polution cloud that hovers over the capital on most warm days. The main international airport at Hellinikon is located 10 km from the city.
Picture by Terry Kirk



Athens is an industrialised city, but the new mayor wants to turn it into "the Miami of Europe."

The future of Athens

A city in transition

GREECE is much more than its capital, Athens. Yet in many ways Athens can be said to be Greece. Four million Greeks, just under half the country's total population, live in the greater Athens area. Of these, only a very small percentage are Athenian born and bred. The rest have flocked to the capital in quest of jobs since the end of World War Two, from all parts of the country.

One of the features of life in Athens is its skyline, which boasts an internationally-prized view, that of the Acropolis rock and the Parthenon. No matter that many Athenians have never visited it; to them the monument is still a symbol of their classical heritage, and, as such, a source not only of pleasure, but also of pride.

Daily living conditions in modern Athens, however, are less than perfect. With close to one million cars in circulation, and highly centralised services, central Athens streets are blocked with traffic jams virtually around the clock.

Cars are believed to be the major cause of the "nefos," the pollution cloud that hovers over the capital on most warm days, trying its inhabitants' health and slowly turning the marble of the Acropolis monuments into chalk. The factories to the west of Athens, where about a third of Greek industry is estimated to be concentrated, compound the problem.

Unchecked noise, parking on pavements and a lack of green spaces—Athens provides only around 2.5 sq metres of green for each inhabitant, significantly less than other European cities—are additional discomforts.

Mr Miltiades Evert, the recently elected mayor of Athens, has a vision for the city: he would like to see it become "the Miami of Europe."

"Athens developed as an industrial city after the Second World War. The rest of Greece was ravaged and the trend was to move from the countryside to the capital, which concentrated a lot of problems here.

"Now we have to ask ourselves what the future role of Athens should be, and I believe the answer to that is, a service centre for the eastern Mediterranean, in banking, insurance, transport. It must also develop high quality tourism, attracting back travellers who now bypass it and make straight for the Greek islands, and it could serve as an international conference centre," says the mayor.

Mr Evert, whose stocky build and forceful manner have earned him the nickname of "the bulldozer," fought and won a campaign for the mayor's seat last October, on a platform of transforming Athens through a seven-year, Dr 350bn development project package.

It is an indication of Athenians' thirst for some beauty that might relieve the starkness of the urban landscape, that one of the most popular features of Mr Evert's campaign proved to be a billboard poster featuring no words but only an ethereal drawing of a young girl with flowing hair, carrying a bouquet of flowers.

As a member of the conservative New Democracy opposition party, whose victory over the Socialist incumbent gave Greece its own version of France's "cohabitation," Mr Evert admits that the Socialist Government's co-operation is going to be essential in the effort to transform the face of Athens.

"We are locked into compulsory co-operation. So far, however, we are working together in a good spirit," he says.

The mayor applauded a recent Government decision to forge ahead with the long standing project of expanding Athens' single-line urban railway system, at a cost of some Dr 150bn, with the help of European Community and other outside financing. The Government has invited international companies and consortia to submit tenders, including financing proposals, by May.

According to Mr Evert, the Athens "métro" project, as it has been dubbed, which formed the centrepiece of his campaign development package, is the key to starting to solve Athens' traffic and pollution problems.

In addition in the mayor's view, the métro must be at least 40 per cent completed by 1990, if Athens is to be able to consider seriously hosting the 1996 Olympics, a Government goal which the municipality so far supports. Added sports facilities, and the technological modernisation of Greece's state-controlled television network, are also reuired before undertaking the Olympics, the mayor says.

"I have told the Government that I salute the effort to host the 1996 Games.

"But if I realise that we are in danger of looking ridiculous internationally, then I will not go along with it, and I will stand up and tell the public the truth," he says.

The major constraint on the mayor's efforts to improve Athens is money. According to Mr Evert the municipality's set budget for this year is only about Dr 18bn. The mayor, however, says he hopes to double this sum through external borrowing, possibly from the European Investment Bank.

In the first instance the money will go towards short-term improvement programmes for 45 target Athens neighbourhoods, the most expensive feature of which is expected to be the expropriation of unused real estate for landscaping.

In the medium-term, the municipality, in co-operation with other mayors in the Attica basin, hopes to have pushed through programmes for the creation of new parkland, the reinforcement of existing green and the afforestation of the mountains surrounding the greater Athens region.

Mr Evert admits, however, that even under ideal circumstances a radical transformation of Athens would require at least seven years. Before that, inhabitants of the capital might discover that the situation has to get worse before it can better.

"When the construction of the métro starts, for example, Athens will be turned upside down," the mayor says, but it is an inconvenience which Athenians will gladly suffer, in the spirit of the ancient Greek maxim, "no evil, without some good."

Andriana Ierodiaconou

Shipping

Plan to halt decline

A MAJOR review of maritime policy is under way in Greece as the Socialist Government of Prime Minister Andreas Papandreou seeks to stem a steady decline in the number of ships from the Greek flag.

The figures are stark: according to Lloyd's Register of Shipping, more than 1,767 ships, totalling 13.6m gross tons have left the Greek register since it peaked at 3,922 ships of 39.4m gross tons in 1980.

There are many observers in Athens, including Mr Stathes Alexandris, the Minister of Mercantile Marine, who claim that Greece has coped with the deep recession in world shipping better than most of its traditional maritime competitors.

On the face of it, there is some truth in this suggestion: the UK fleet, for instance, has declined by 15.5m gross tons over the same period, while the Norwegian register has declined by more than 12m gross tons from a much lower base.

It is also true that Greece remains the most important maritime nation in the EEC, and has the fourth biggest fleet after Liberia, Panama, and Japan.

Nevertheless, there is growing concern about the continuing decline, and the increasing willingness of patriotic and independent-minded Greek owners to use flag of convenience, or "open," shipping registers such as Panama.

Mr Alexandris has held a series of talks in recent weeks with Greek owners in Athens and London, where most companies maintain an office close to the major sources of maritime finance.

The Government is refusing to comment on the talks until the shipping ministry has reached a conclusion on the action that is necessary.

But it is clear that a number of fiscal measures are being considered, including the possibility of tax relief for shipowners bringing in desperately needed foreign currency.

In addition, the Government is still unsure about whether to bring forward a draft bill which would increase the contribution required from shipowners to the seafarers' pension fund.

This bill has been delayed for more than a year by pressure from the Union of Greek Shipowners, which says its members cannot absorb the loss of competitiveness which the extra costs will cause.

Meanwhile, officials say it is too early to judge the success of concessions on crew costs introduced at the end of November after a long campaign by the shipowners, who claimed they were at a disadvantage compared to other European owners.

The minimum crew on a Greek vessel is now 17, though this varies with the size and nature of the ships involved, and up to 40 per cent of seafarers can be recruited abroad, providing no Greek seamen are available for work.

Speaking after his meeting with Greek shipowners in London, Mr Alexandris conceded that the international shipping crisis was biting hard, and that owners were pressing for further reductions in costs.

He indicated, however, that the Government would not be hurried into making ill-considered or premature decisions, and appeared to rule out further reductions in crewing requirements.

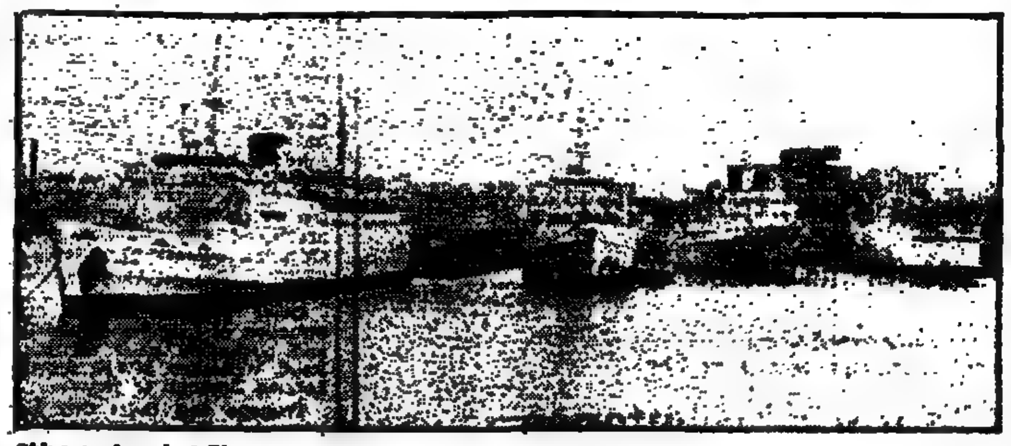
"The measures we have taken are the outcome of a very long and in-depth study, and the most important thing is that these measures in no way affect the safety of shipping," he said.

"I have declared before that Greece will never think of making itself an open register flag, and we are determined to keep the reputation and respect of the Greek flag even if we are reduced to only one ship."

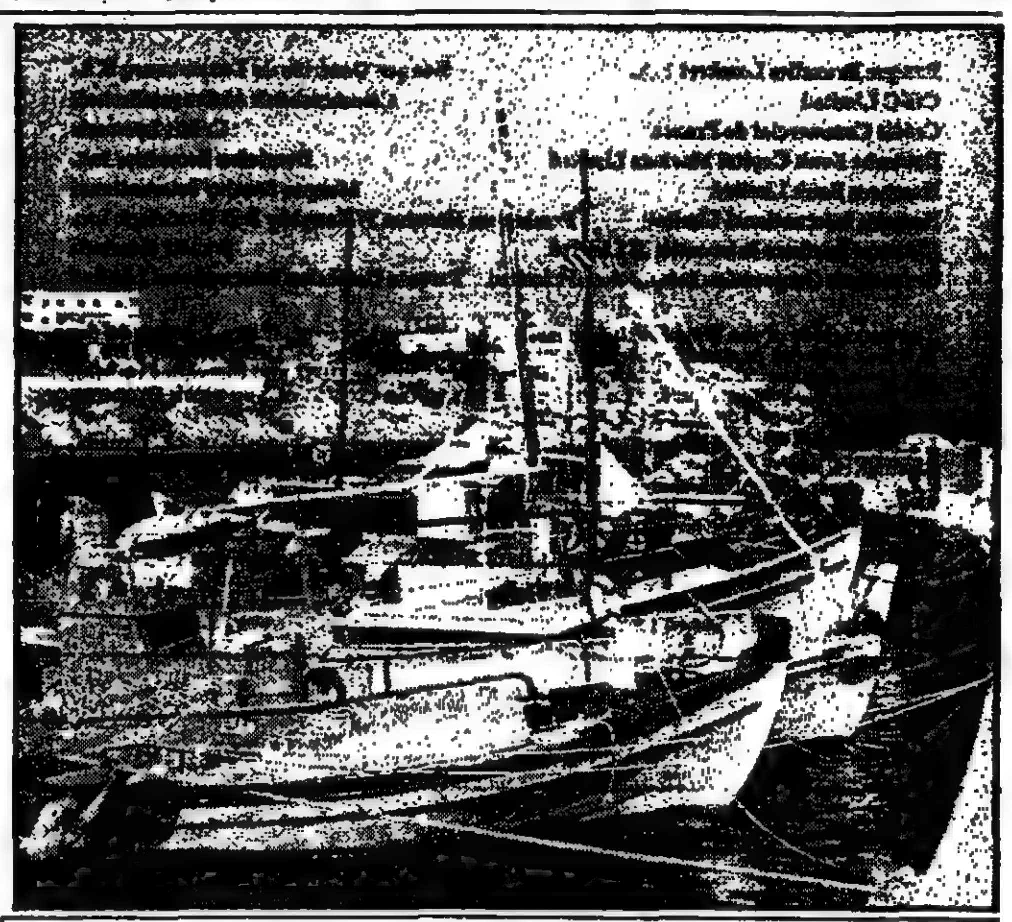
Mr Alexandris said he was confident that Greek shipowners would stand by the national flag because of the overall advantages it offered compared to the cheaper and less well supervised flags of convenience.

Greek officials confirmed, however, that the decline of the register had continued in the first three months of this year.

Kevin Brown



Ships anchored at Piraeus.



A FISHERMAN, above, on the quayside of the peaceful fishing village of Souvala, on the island of Aegina (also seen above right).

Despite the impressive tourist attraction of such places, the tourism industry has suffered from adverse publicity abroad, following incidents such as terrorists boarding an Athens-Rome flight and, more recently, the crisis in the Aegean which brought Athens and Ankara to the brink of war. It is estimated that Greece lost around \$500m in revenues from tourism as a result of cancellations by US visitors, following the TWA hijacking incident.

While the majority of overseas visitors arrive by air—Athens airport at Hellinikon is served by all major international airlines—many visitors come by surface routes, using frequent ferry services from Italy and France to Piraeus, and car ferry services between Ancona in Italy and Patras.

There are road and rail routes from most parts of Europe, via Italy, Yugoslavia and Bulgaria.

CONSTRUCTION CONTRACTS

Refurbishing the Adelphi Building

TROLLOPE & COLLS companies, part of the building and civil engineering division of the Trafalgar House Group, have recently been awarded contracts totalling over £23m.

The largest, for Trollope & Colls Management is for the refurbishment of the well-known Adelphi Building in John Adam Street, London WC2. Awarded by Manufacturers Hanover, the contract is worth £10m and will provide 22,000 sq. metres of office accommodation which the company will use as a new UK headquarters.

Other projects include construction of a £7.8m courthouse and probation block in High Road, Willesden, NW10, for the London Borough of Brent.

Trollope and Colls City has been awarded three contracts. The first, for Lloyds Bank Monument Building at Fish Street Hill, in the City of London, is a contract worth £200,000 and involves refurbishment of the ground, first and second floors. Under a contract from the City of London, a £1m refurbishment and improvement is to be made to the Central Criminal Courts at the Old Bailey. Works to the 1907 building will be carried out during a six-week period. The third contract is for alterations and refurbishment works to the basement, third, fourth and fifth floors at Queen Street, London EC4 for the Berliner Handels Und Frankfurter Bank. The contract is worth £600,000 and is due for completion in 13 weeks.

Trollope and Colls Construction has been awarded a £3.5m contract to build an office and retail development in the heart of the historic "Lanes" area of Brighton, Sussex.

Building homes at Harrow

The Declan Kelly Group has appointed BOVIS CONSTRUCTION as management contractor for a residential development at Harrow-on-the-Hill. The project, valued at £9m is located on the site of the former Calvery Nursing Home, which, with the exception of the chapel, had been demolished.

The work involves the construction of 90 luxury flats complete with leisure facilities and underground car parking, together with renovation of the chapel to provide further accommodation.

The project will start in mid-May, with first occupations scheduled for April 1988, and final completion in December 1988.

*

Contracts totalling £10m have been awarded to BENHAM BUILDING SERVICES. Among them is a computer centre at Gloucester for Barclays Bank, and in the City of London, Leadenhall Court, an office development for Legal & General. The Barclays Bank work is for air conditioning, heating, public health and sprinkler services, costing £3.8m. Similar work at Leadenhall Court is worth £2.6m, and at Selfridges will cost £1m.

Computer centre in the City for the Royal Bank of Scotland

The Royal Bank of Scotland has awarded a £5.8m contract to ASHBY & HORNER for the bank's offices at 23-28 Charterhouse Square, in the City of London, to become its southern computer centre.

A carefully co-ordinated programme will ensure 24-hour running of existing computer and generator installations while conversion work is in progress. The eight-storey building will be partially occupied throughout.

From the present accommodation two further computer suites will be created, making all office floors capable of handling extensive electronic equipment. Emergency power supply services will be installed.

£20m for French Kier

FRENCH KIER, contracting division of C. H. Beazer (Holdings), has been awarded £20m in contracts throughout the UK. This brings Kier's total awards in March to £106m.

In London, Kier subsidiary Wallis has been awarded the refurbishment of the Eastern Galleries of the Natural History Museum in the Cromwell Road (£3.96m) by the PSA and a fast track fitting-out of offices in Lombard Street, EC3 (£650,000) for Dutch architects CRT Options.

French Kier Scotland is to build five radio stations and transmitter masts costing £3m in remote areas on the Scottish west coast for British Telecommunications plc. The masts will be located on sites about 2,000 feet above sea level and 5 km from the nearest public highway.

In Glasgow French Kier Scotland will shortly begin work on the shell and core construction of a 17-storey hotel (£1.75m) for Echo Hotels.

French Kier Southern, based at Heathrow, has been awarded the contract for the redevelopment of a Youth Custody Centre, Huntercombe (£6.9m) by the Home Office and a shopping development at Bicester (£1.65m) for John Willmott Estates.

Other awards include a children's unit at West Hill Hospital, Dartford (£400,000) for SETRHA and 40 sheltered flats and communal facilities in Greenwich (£1.4m) for the Anchor Housing Association. Both of these contracts will be undertaken by French Kier South East.

Retail scheme at Borehamwood

HUNTING GATE has been appointed by Sibec Developments to design and build a £8m retail park in Borehamwood town centre. The retail park, to be known as Boulevard Park 26, will offer shoppers 190,000 sq ft of retailing facilities and parking for 840 vehicles. The project will be completed by the end of November in only 40 weeks.

The scheme will have a steelwork and glazed canopy with a frontage featuring a series of full-height barrel vault entrances on the front elevation. The structure will be based around a steel portal frame coated in a polyester powder blue paint. Ornamental frame work in the same blue will be incorporated to complement the main structural steelwork giving the scheme a Victorian winter garden appearance.

Brick cladding will cover the building to a height of 3 ft, while above this two types of high quality cladding will be used. The front elevation glazing will consist of insulated cladding panels finished in silver. The rear of the building will be clad in profiled steel cladding with a steel liner panel and insulation quilts to give normal U-values.

Facelift for Tube stations

Two contracts in London and Newcastle worth nearly £5m have been awarded to MOWLEM MANAGEMENT. The largest is a £2.8m management contract for refurbishment at eight London Underground stations on the District and Metropolitan lines. The work is at Whitechapel, Stepney Green, Mile End, Bow Road, West Ham, Plaistow, Upton Park, and East Ham stations. The project includes the renewal of floor and wall finishes and repair and redecoration of other surfaces at platform level, building work to platform offices and renewal of fixtures and fittings.

The stations are to remain open throughout the contract and a substantial amount of work will be carried out at night. Work has started for completion in August 1988.

At Elswick, near Newcastle Upon Tyne, Mowlem Management has been awarded a £2m management contract for nine industrial units, the first development stage of the Armstrong Centre on a mile-long site by the River Tyne. The units will provide 94,000 sq ft of space for light industrial use and are being built in three phases between March 1987 and early 1988. The client is Dysart Developments in partnership with Newcastle City Council.

Roadworks for Balfour Beatty

BALFOUR BEATTY CONSTRUCTION has been awarded a contract worth £5.57m by Dorset County Council for the construction of a 3 km dual carriageway as part of the A338 Wessex Way in Bournemouth. Completion will be by mid 1989. Slip roads, a bridge and subway in reinforced concrete are included, together with a three-span bridge in composite construction, a reinforced earth embankment, sewers, footways and street lighting.

Kent County Council has placed an order for maintenance on the M20 Maidstone bypass valued at £1.8m. The work provides for reconstruction of the hard-shoulders, overlaying 1.5 km of main carriageway, safety fencing, traffic management and sundry works. Work has started for completion in 16 weeks.

At the Whitings and Oakentrough sluices at Barking, Essex, Balfour Beatty will construct two sluice structures in reinforced concrete under a contract valued at £253,000 awarded by the Thames Water Authority. The work will be completed in 34 weeks.

Balfour Beatty Building has been awarded a contract worth £2.33m by Embassy Hotels to construct a three-storey extension to Gloucester Hotel and Country Club in Matson Lane, Gloucester. Work has started for completion by Christmas.

Balfour Beatty is a BICC company.

Bath American Museum gallery

LONGS OF BATH has been awarded a £1.3m contract to build a gallery for The American Museum, Claverton Manor, Bath. The 48-week contract entails construction of a two-storey gallery which will have a total area of 1,150 sq metres. It will be constructed on a reinforced concrete frame and clad in Bath stone with a lead sheet roof. The new gallery will provide facilities for an exhibition hall to house temporary exhibitions and a map room to exhibit a private collection of 15th and 16th century maps.

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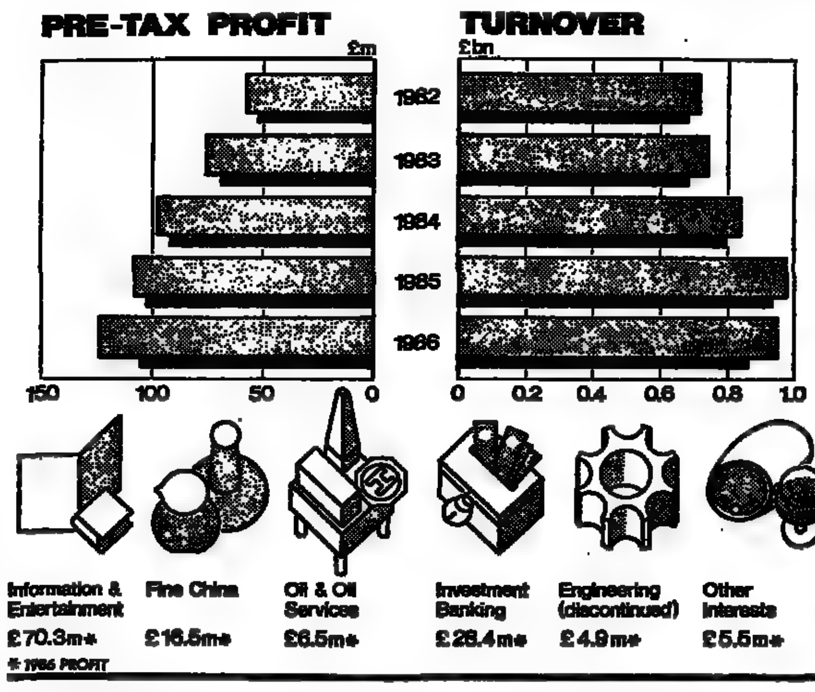
MANAGEMENT

Pearson

A belated conversion

Martin Dickson asks whether the UK conglomerate's efforts to raise its performance have been sufficient to offset the potential threat from a corporate raider



Lord Blakenham

AT FIRST sight it looks like a takeover raider's dream.

Pearson, the publishing, banking and industrial conglomerate, is the owner of some of Britain's most exclusive product names in an age when strong brands are among the most prized booty of corporate predators.

Its assets include the Financial Times; book publishers Penguin and Longman; half of Lazard Brothers, the merchant bank, and a similar share in The Economist magazine; Royal Doulton, the world's biggest manufacturer of fine china; and Madame Tussaud's, the waxworks.

It is hardly surprising, then, that for a year now Pearson has been dogged by rumours of an impending takeover bid designed to break up the company. The swirl of speculation intensified last autumn when Hutchison Whampoa, the Hong Kong group controlled by Mr Li Kashing, took a 4.9 per cent stake in it. But no bid has materialised and City analysts feel the chances of one are receding: any predator would face numerous hurdles which, while not individually insuperable, might together militate against him gaining control at an attractive price.

But the perception that Pearson might be "brought into play" has nevertheless focused attention on the logic, strategy and management of this most unusual of conglomerates.

It has also served to keep Pearson's board on its toes, both in terms of financial performance and public image. The group's small head office—perhaps fittingly located on two anonymous floors of London's Millbank Tower—has traditionally kept a low public profile, leaving its individual businesses to speak for themselves. The famous parts are thus far better known than the whole.

But that is changing. A corporate advertising campaign is in the pipeline, while at a recent press conference to announce the 1986 results—pretax profits up 11 per cent to £121.1m—Lord Blakenham, the chairman and chief executive, was at pains to stress the role of the centre in the structural and personnel changes which have substantially reshaped the group over the past five years.

City analysts say these changes have much improved the performance of the business—though some argue that the management is still not sufficiently ruthless or fast enough on its feet.

"The record is really rather good, and better than a lot of people realise," says Bruce Jones of brokers Kitcat & Aitken. "There is still a slight feeling of gentlemen engaged in business, but doing it rather successfully."

The gentlemanly image annoys Pearson—as do well-worn descriptions of the group as "a collection of rich man's playthings" or a "pedigree dog's breakfast." But, however fast the group is changing, these are not labels it is that easy to shake off, given the curious history of the company and the eclectic nature of its interests.

It was founded in the mid-19th century by one Samuel Pearson, a small Yorkshire building contractor. But it was under his grandson Weetman Pearson, who was to become the first Lord Cowdray, that it really took off. Weetman was one of the most remarkable entrepreneurs of the Victorian age, creating an international company which took on some of the leading contracting jobs of the day.

He left to his heirs a motley collection of interests: largely in the oil industry, but also in publishing (through various newspapers which laid the basis of Pearson's Westminster Press provincial group), in general industry and in merchant banking (through an interest in Lazards, bought in 1919).

Pearson retains this basic shape today—its four core areas are publishing and entertainment, banking, fine china and the oil industry—but Cowdray's heirs greatly expanded the base through acquisitions. In publishing, for example, these included the Financial Times (1957), Longman (1968) and Penguin (1970-71). But they also moved into a wide variety of other unrelated businesses, such as a controlling stake in Chateau Latour, arguably the most consistently superb of the great first growth clarets.

The company only went public in 1969—largely because of the burden of death duties—and family interests are said still to speak for over 20 per cent of the group, which today remains headed by a member of the Cowdray family—Lord Blakenham's mother was a daughter of the second Lord Cowdray and his father was former Tory Minister John Hare.

The chairman's pedigree might seem bound to compound Pearson's "gentlemanly" image problem, yet despite it Blakenham has gained respect in the City for the reforms he has pushed through since becoming chief executive in 1978.

A youthful-looking 49, he is a quietly spoken man with a self-effacing manner. He lacks the high profile and strong identification with his business in the public mind which is enjoyed by several self-made builders of conglomerates, such as Lord Hanson of Hanson Trust, Sir Owen Green of BTR, or Tiny Rowland of Lonrho.

His background, though, is solidly industrial: after Eton and the army he took an apprenticeship with English Electric to gain experience of industry. This was followed by a degree in economics at Harvard, three years with Lazards, and a long spell with Standard Industrial Group, a small industrial holding company where he became managing director, before moving on to Royal Doulton.

Nine years ago, when he became chief executive of Pearson, the business was clearly in need of a substantial shake-up. And the reforms he has pushed through underline two wider industrial themes: first, the cultural difficulties of changing a privately-owned business, geared to capital growth, to a publicly-owned one where the emphasis is on earnings growth.

Second, the rationale for the existence of conglomerates which, by definition, lack a clear industrial logic. At one time it was fashionable to defend these creatures on the grounds that their spread of interests offered shareholders a counter-cyclical balanced investment, or that they offered potential economies of scale.

But in these days of break-up bids, conglomerates can only hope to justify themselves by one yardstick: that they manage their mix of businesses better than anyone else, and that the whole is more than the sum of the parts.

In the late 1970s Pearson might have found this hard to argue. It had a clumsily corporate structure and the quality of some of its top managers was questionable. Critics argued (and echoes of this are sometimes still heard today) that the pedigree nature of Pearson brand names may have bred in some executives a degree of complacency, rather than a desire to squeeze the maximum potential out of them.

Blakenham's attack on the problems has been three-fold.

● Strengthening the centre. Until 1982, Pearson had a curious group structure, dating from the days of family ownership. Below the main board was a series of holding company boards, grouped roughly by industrial sectors, to which the various operating companies reported. The holding companies were an unnecessary layer of management which made it difficult to realise any strategic objectives for the group as a whole, or to allocate resources between its parts.

Blakenham abolished them, and as part of this process bought out minority shareholders in Pearson Longman, the publishing part of the empire, which until then had a separate stock market quotation (a first attempt to do so four years earlier had foundered on insitutional opposition to Pearson's terms).

The result has been to bring the subsidiaries into much more direct contact with the main board. Blakenham also introduced a more rigorous system of management and financial controls, with the chief executives of subsidiaries being called to meetings at Millbank Tower every quarter to account to board members for their affairs.

Last summer, amid the bid rumours, this was taken a stage further, when John Hale retired as Pearson's managing director, just three years after he had joined the group from Alcan Aluminium.

Instead of filling the MD's post, Blakenham set up a system of "sponsoring directors," under which one board member would take special responsibility for each of the group's four main business areas.

The idea is that in a group as diversified as Pearson this will give main board directors a deeper understanding of industries in which their "sponsored" subsidiaries are operating. And since only one of the sponsors has line responsibility, they should be more detached observers of their business. After six months says Blakenham, the system is working well.

Yet critics argue that, with Hale's departure, the executive directors lack experience of running multinational businesses, apart from Pearson, and suggest the board has fewer strictly financial experts than some other major conglomerates.

● Changes in management. The quality of the group's line management has been improved through the introduction of new blood and performance related pay schemes, linked mainly to trading margins and return on capital employed.

An early success was the appointment in 1979 of American Peter Mayer to head the then ailing Penguin books business. He restored it to health with a much stronger emphasis on marketing and on the publication of more popular titles.

In newspapers, Frank Barlow took over as chief executive of the Financial Times in 1983 in the wake of a disastrous 10 week strike. Helped by a booming stock market, the paper has made more profits in the past two years than for the previous quarter of a century and is now—some way behind the Fleet Street pace-setters—in the midst of a delicate £70m investment programme to move to new technology. Barlow has also carried out a large rationalisation programme at the group's Westminster Press provincial chain which has won City approval.

At Royal Doulton, Stuart Lyons, who was managing director of the UDS department store business before its takeover by Hanson Trust, has, for the past two years, been overseeing a substantial change in management structure and marketing methods. City analysts, however, have yet to be entirely convinced about the strength and flair of this division, which saw profits drop last year.

● Divestment. While building up core businesses through acquisitions, Blakenham has been selling off more peripheral interests, including last year the entire Fairey engineering division, on the grounds that its relatively small, diverse businesses would require too many resources to be built into a strong international presence. Yet many of those engineering companies were only acquired by Pearson in 1980, underlining, perhaps, a lack of clear strategic direction at that time.

All these changes, Pearson would argue, underline the added value which can be given to a conglomerate by a strong head office which devolves considerable power down the line to powerful entrepreneurial executives.

According to this philosophy, Millbank Tower provides three key ingredients (apart from the obvious shared support systems such as pensions): strong financial controls and capital; a substantial strategic input; and the selection of the right individuals to run the operating businesses.

Certainly, the shake-up has yielded considerable fruit. Blakenham points out that since the 1982 reshaping, Pearson's earnings per share have grown at an annual rate of 22 per cent compound. This year, analysts are looking for a further rise in pre-tax profits of up to 15 per cent—to £135m to £140m.

Beyond that, the growth prospects could be rather better. The balance sheet is extremely strong, allowing plenty of scope for acquisitions; if the move to new technology goes smoothly, the FT could become a more consistent highly profitable business; Penguin could be poised for a much bigger international presence; oil prices may spurt.

Also exciting, though potentially risky, is Pearson's membership of the consortium which has won Britain's direct broadcasting by satellite franchise.

But, despite all this, some City analysts question whether the group is run as toughly as it might be. They argue that the changes of the past few years have been made rather slowly; they point to the large losses which were run up at Goldcrest, the innovative film making associate of Pearson which is now up for sale; they note the hints from Williams Holdings, which took over part of Fairey, that it has found much to improve; and they say Pearson's investment in, but then disposal of, the engineering and film-making interests suggests there has been a somewhat unfocussed approach to acquisitions.

"While building well for the long-term," asks one analyst, "does Pearson's short-term performance square up against the likes of BTR and Hanson?"

Pearson would argue that, like Hanson and BTR, it has strong central financial controls but that in other respects the question is misconceived, since these three conglomerates are very different animals.

Unlike Hanson, it is not acquisition-led. "We do not," says one insider rather sniffily, "specialise in issuing high priced paper for any old business to get our growth." At the same time, Pearson does not shy away from purchases (almost invariably agreed) in areas it knows and which can improve its market position.

Seen from one angle, many of Blakenham's changes appear designed to mesh the best of the old Pearson—its focus on long term growth, on quality companies, and on integrity in the conduct of business—with the requirements made by a more competitive business era for a far better short-term profits performance.

His reform programme still has so many changes in the pipeline that it is too soon to say whether or not he has got the balance right, or done so sufficiently fast.

But if he has not, then the predators will be back.

Britten parables

Paul Driver

Britten's three "parables for church performance" (written in the mid-sixties to skilful libretti by William Plomer) collectively afford a musico-theatrical experience of amazing novelty and intensity, but they probably need to be taken one at a time. To follow the first and much the most austere, *Curlew River* with the third, *The Prodigal Son*, after only a 30 minute break, as the Camden Festival did at the chilly All Hallow's Church NW3 on Friday(and will do again on Tuesday and Thursday), makes for a rather stringent long evening. Part of the ritualistic point of the dramas is necessarily lost this way: for the processing in and out of the "monks" who perform for us cannot seem to coincide with an actual church service, as intended by the authors. If it is immediately repeated—the special effect of audience involvement is imperfectly recreated. Nevertheless, I would strongly recommend a visit to the remaining performances.

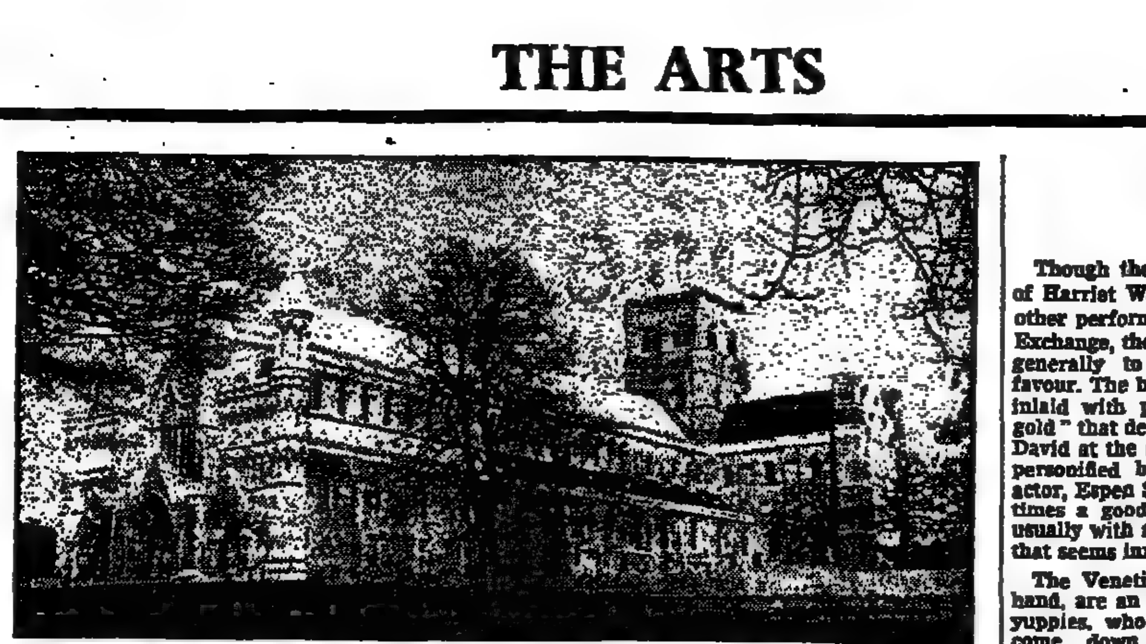
In fact, the monks do not recess at the end of this *Curlew River*: their music fades while they stay seated, and perhaps we are meant to wait in suspense for the next parable and consider the two stagings as meaningfully complementary. It is only one way of several liberties with the text taken by the young and bold French production team (producer Philippe Piffault, set designer Antoine Fontaine, costume designer Anne Grand-Clement), whose vigorous and surprising interest in Britten (not a composer much favoured in Paris, where these versions were first shown last year) is entirely a tribute to the capacity of his parables to withstand it. There is no disabling departure from the spirit of the works, but no reverential adherence to it either; and the upshot is that the parables survive as vivid, autonomous theatre.

Curlew River brings on the performers wearing surgical or ethereal white to an extremely attractive, commodious set which has a rotating platform to serve as the ferryboat and a moving backcloth (wound up and down by a girl in black — the only female presence) to illustrate journeys and psychological states. Two scantily clad, muscular young men, now operate the platform and now wield tall wooden laths in a generally Japanese style of ritualised acting, but do not sing. The action is immensely slow, the simple story of the Madwoman's grieving and discovery of the death of her 12-year-old son (miraculously transfigured at the end) is lengthily enacted in a hieratic, closely grouped, peculiar manner which even allows at one point (the moment of discovery) for the adaptation of a Viennese waltz.

The apparition of the boy's spirit is beautifully done (and exquisitely sung—offstage—by treble James Rainbird); finally one is moved by the quiet concentration of it all. But there remained a sense of aridity. The ensemble, under Peter Crockford, needed to add light and air to its strangely floating, harmony-less, plainchant-ridden music, which can easily sound pinched and dry; while the singers might have made the austere ritual more persuasive if they (Ferryman Simon Masterton - Smith, Traveller Christopher Blades, Madwoman David Aldred) had on the whole been less fervent, more meticulously articulated, and given more consideration to the slightly boomy acoustic. The lighting was sometimes erratic: the Abbot (Paul Parfitt) was almost invisible for his concluding address.

The Prodigal Son was a very different affair. If *Curlew River* had been reticent, this was brazenly expressive and frankly homoerotic. David Aldred, a much better Abbot/Tempter than a Madwoman, entered from the back of the church at the start with a fully Mephistophelean leer and bitterness and a wide-open shirt. The Prodigal (Robert Greenhill) is first seen in a kind of white corset and vest, engaged in calisthenics. The Parasites by whom the Prodigal is three times besieged are semi-nude and have dilated nipples. The ritualised staging carefully measured as before (and using the same set, its spinning platform highly serviceable for the Prodigal's walk to the evil metropolis and back), now seems less Japanese less Noh-play-derived than of the nature of a pop video, perhaps by Queen but it works.

Britten's music for *The Prodigal Son* is in any case richer and more brazen than for his first parable (it is the second, though, *The Burning Fiery Furnace*, which has the best score). Within the severe limits of his style, he can suggest the sultriness of harlots and the nightmare realisation of ruin. There are even the odd blobs of harmony. A D trumpet features in the instrumentation, and rings out exotically (played by David Lancaster). The vocal performances were far more convincing. David Aldred surprised us at the last by retaining the angry mask of Tempter even as—in the role of Abbot—he preached God's justice to the "congregation."



St Alban's Cathedral, Hertfordshire — one of the winners of this year's Heritage Education Awards

Architecture/Colin Amery

The young and their heritage

Last Tuesday afternoon saw one of those quiet and in some ways rather unexpected events that say a great deal about the state of the nation than many a more trumpetted afair. There was a ceremony, one of those affairs the English do well—with music, clergymen, dedicated spinsters, and a large dose of Elgar to round things off. It was all in aid of the national presentation of the wards of the Heritage Education Trust—an annual event held this year at St Alban's Cathedral.

The Heritage Education Trust was set up to promote the educational use of historic properties and sites by schools, colleges and other groups with serious educational interests. It is the body that administers annual awards (the full title is the Sandford Awards for Heritage Education). These awards are sponsored by British Leisure Publications who produce the indispensable annual guide *Historic Houses and Castles* open to the public (£3.25) which should lie on the rear window ledge of every car in the kingdom. In a very intelligent act of sponsorship this publishing company sees the point of helping an educational activity — one that opens the eyes of the younger generation.

At the cathedral ceremony, after an address by the guest of honour, Cardinal Hume, and a performance of *Joseph and the Amazing Technicolour Dreamcoat* by some local children, this year's Sandford Awards, three, were announced. The first is the Boat Museum at Ellesmere Port, in restored buildings and quays in the formerly derelict Shropshire Union Canal Basin. A marvellous collection of inland waterway boats is part of the display and parties of children are able, under the gentle control of trained guides, to leap on and off the boats while learning about the lives of those who once worked the canal system.

The cathedral of St Albans itself won an award as a tribute to its work for young visitors. There is an education centre and, after two years of Manpower Services Commission involvement, a full-time education officer. Only too often large groups of children wander aimlessly around our national collections or sites in a way that render life unpleasant for those too close to them. They need intelligent help to get the best out of the "heritage" and this means a measure of interpretation and an introduction to the essential arts of seeing and discriminating.

One National Trust house also praised for its aproach to young people is Wightwick Manor near Wolverhampton. I would have thought that any child with an ounce of imagination would respond to the William Morris inspired interiors and the strong evocation of the Pre-Raphaelite world. Wightwick is very welcoming and groups of children enjoy the late Victorian atmosphere and take their lessons with pleasure in the restored school room in the malt house.

The museum highly commended in this year's Sandford Awards, the Hornsea Museum of village life in North Holderness, has initiated Victorian days for children when they can dress up and make butter or do a bit of spinning. Although this sort of activity can verge on the precious—if it is done authentically it can teach about the past in a totally painless way.

One of the most useful things done by the Heritage Education Trust under its director, Martyn Dyer, is the publication of the Heritage Education Handbook. It is available from the HET, St. Mary's College, Strawberry Hill, Twickenham, TW1 4SX. (£3.95), has been published with sponsorship from Lloyds Bank and is a valuable compendium of information.

One of the grave dangers facing the conservation movement is that it will divorce itself from the future of the environment by being too reactionary and not seeing any virtue in new architecture. The nation's visual education has been inadequate in the past but the future of any heritage depends on the initiation of an awareness among the young. Conservation has to change to promote an awarenes of architectural quality that will influence future architects as well as protect the past.

*

The Department of the Environment has just announced that it is now possible for buildings in England that were built between 1939 and 1956 to be eligible for listing. In Scotland it has always been the case that any building over 30 years old automatically became eligible for listing. I would welcome suggestions from readers of suitable English candidates from those relatively barren years. Please not more telephone boxes . . .

F.T. Architecture at Work Award 1987

Time is running out for applications for this year's award. Nomination form are available from the Financial Times, Bracken House, Cannon Street, EC4 4BY, envelopes to be marked Architecture at Work Award. The closing date is April 24 for all entries.

It is important to remember that owners, clients, as well as designers and architects, can submit their buildings. The award recognises enlightened patronage as well as good design.

C.A.

The Merchant of Venice/Manchester

B. A. Young

Though the admirable Portia of Harriet Walter overtops any other performance at the Royal Exchange, the production seems generally to be in Shylock's favour. The blue stage is "thick inlaid with patterns of bright gold" that derive from a Star of David at the centre. Shylock, as personified by the Norwegian actor, Espen Skjonberg, is at all times a good-natured old man, usually with a smile on his face that seems innocent of mockery.

The Venetians, on the other hand, are an uncharming lot of yuppies, who might have just come down the line from Verona. Gratiano (Michael Crompton) never speaks at less than a shout. Solanio (Chris Lang), who is in charge of Antonio's computer (the play wears a modern mask), describes Shylock's despair at losing his daughter and his ducats as if he had been at a football riot. Bassanio (Alan Parnaby) matures visibly through the evening as his marriage to Portia replaces his teen-age affair with Antonio; both affections are based on cupidity rather than tenderness, and Mr Parnaby is perhaps right in not distinguishing one from the other. When these young men encounter Shylock alone and undefended, they knock him down as if they were about to rob him.

Harriet Walter's Portia suggests a wealthy and experienced young woman, who takes on the legal adventure as a joke and collects the juvenile Bassanio as a toy-boy. On her estates, with only Nerissa for company, she is assertive and witty; to receive her suitors, she dresses in long, graceful costumes, with a veil over her face beneath which she is probably laughing. It is unkind of her to dismiss the unhappy Prince of Morocco after his choice of the wrong casket with "Let all of his complexion choose me so," for her pleasant Nerissa (Dona Cross) is of the same hue. Miss Walter makes an uncommonly handsome young Doctor of Laws, with hardly a sign of effeminacy, and she retains something of the same assurance after returning to her own sex.

She is not put to any great straits at the trial, for Malcolm Rennie's Antonio stays at the same mournful level throughout the play, and hardly seems to care which way the verdict is to go — a correct-enough attitude at that time, but hardly suitable earlier, when he was believed to be prosperous, and the sadness of his opening lines exceptional. Shylock, on the other hand, is quite unimpressed by the court, and speaks to the public in the galleries, rather than to the Duke or to Portia. When he begs leave to go, he asks Antonio, not the Duke. For Portia the trial was pretty well a walkover.

The last pretty act, with its games about the rings goes very well. It allows Lorenzo and Jessica (Gerard Logan and Joanna Foster) to reveal that they are a touch more than a silly young man-about-town and his exotic pick-up. I was not keen on the ending with a chorus of "Tell me where is fancy bred?", the same chorus as opens the first act. We are warned in this way not to take the misfortunes seriously; but this kind of decision is better made by ourselves on the way home. Braham Murray, the director, has allowed the more trivial feelings too much rein. Launcelot Gobbo, as Renny Krupinski plays him, might almost be a madman, not a cheeky youngster having fun.

The Fair Maid of the West/Mermaid

Martin Hoyle

A play toward ! The auditors are actors too perhaps, if they see cause . . . After a couple of trial Shakespearian openings, the company is swamped by demands for thetale of Bess Bridges; and Heywood's rollicking hokum is under way, part improvised, audibly prompted and urged on with raucous participation from the Jacobean groundlings who swarm round the auditorium.

Trevor Nunn's cunning conflation of two plays comes from the Royal Shakespeare Company's new Swan Theatre at Stratford. It launches the company's fresh tenure of the Mermaid in Blackfriars, overseen by Frank and Woji Gero, the loyal American RSC fans whose faith is justified by the enjoyable fun of this warm- hearted and good-humoured frolic.

The Mermaid presents a passable simulacrum of the Swan's acting space: a low thrust stage, seats on three sides; steps and walkways along the side walls, a balcony above the stage—all in the wood, light in colour and texture, that recalls the Stratford model.

Alastair Muir

Imelda Staunton

The picaresque derring-do of the doughty barmaid-turned-privateer, scourge of the Spaniards and a captive in Barbary, is the stuff of Saturday-morning cinema serials (remember them?). Bess initially dons male garb to impersonate her brother (the practical rather than romantic aspect of her transvestism smacks more of Szechwan than Arden), believes her beloved dead, meets and loses him in the course of their adventures, and emerges from a welter of selfless renunciation for a happy ending presided over by noble paynims, forerunners of those dignified Turks the eighteenth century would become so fond of.

Mr Nunn's production has its quota of tricks. It lays some jokes on with a trowel, overdoes the ruefully quizzical shrug to the audience, and throws in some very un-*seicento* songs — the final one when we learn that Bess refused to let the king of Morocca shock'er is decidedly too much. The plot's tenuous thread is almost lost in the last rambling 20 minutes or so, and many of the coarse theatre jokes are familiar from time immemorial—well, from the *Dream's* base mechanicals at least, up to the RSC's own *Nickleby* and the commercial theatre's *Noises Off*.

Yet the cheerful romp works. As the Pearl White of the Spanish Main, Imelda Staunton is fiery, bucolic, passionate and scrupulously, heart-rendingly, serious in moments of grief. I have reservations about the Barbara Dickson-type song, "A woman alone," but about this generous performance there can be none.

Sean Bean, the long-lost hero, looks firm-jawed and clean-limbed; as the lecherous king of Fez Joe Melia is slack-jawed and dirty-limbed (metaphorically). Pete Postlethwaite's disconcerted bully, a mixture of swagger and dismayed caution, won the house. Nifty sword-play (Malcolm Ranson), high spirits everywhere; and my heart goes out to Donald McBride's Devon-accented potboy, lumbered with the worst of the puns.

ENO plans for 1987-88

Seven new productions are planned for the 1987-88 season of the English National Opera. The event most likely to attract publicity comes next May, towards its end — the British opera debut of Ken Russell, who produces *Tannhäuser* with a cast including Graeme Matheson-Bruce, Kathryn Harries, and Sally Burgess. But another notable departure from company tradition brings the first British production (by Keith Warner) of Stephen Sondheim's *Pacific Overtures*, which opens in September.

Jonathan Miller returns to the Coliseum to stage a new *Barber of Seville* (November); Humperdinck's *Hansel and Gretel*, missing from the London repertory for far too long, returns for Christmas in a David Pountney production conducted by Mark Elder; and Nicholas Hytner undertakes a new *Magic Flute* (March).

Billy Budd (February), produced by Tim Albery, marks the Coliseum conducting debut of David Atherton, and has a cast led by Thomas Allen, Philip Langridge, Richard Van Allen, and Neil Howlett. A popular and much-requested work also long absent from London is Bizet's *The Pearl Fishers* (September), produced and designed by Philip Prowse, conducted by Charles Mackerras, with Valerie Masterson, Adrian Martin, and the Kirov baritone Sergey Leiferkus.

Josephine Barstow leads two revivals, *Salome* and *The Merry Widow*. Others include *Der Rosenkavalier* (with Valerie Masterson's first Marschallin), the Miller *Rigoletto*, *Orpheus in the Underworld*, *Madam Butterfly*, *Cav* and *Pag*, *Così fan tutte*, and Hytner's prize-winning production of Handel's *Xerxes*, which reassembles the original cast and conductor (Mackerras), Janacek's *The Cunning Little Vixen* is borrowed from Scottish Opera/Welsh National Opera (who showed it at the Dominion Theatre).

Other conductors making their ENO debut are Ivan Fischer (*Flute*), Graeme Jenkins (*Così*), Kees Bakkels (*Tannhäuser*), and Yan-Pascal Tortelier (*Merry Widow*).

M.L.

Pears concert/Friends House, NW1

Max Loppert

The Britten-Pears Foundation on Friday saluted Peter Pears in a memorial concert by the English Chamber Orchestra under Steuart Bedford. It was a programme of exactly the sort the singer himself devised so effectively many a time for the Aldeburgh Festival schedule: readings from Shakespeare and Tennyson (Peggy Ashcroft in her ripest and most resonant vein) placed between music by Mozart, Britten, and Robin Holloway.

The Britten works — the Serenade Op. 31 and Nocturne Op. 60 — are both indelibly associated with, indeed haunted by, the Pears timbre, the Pears way of tone-shading, the Pears genius. It is no discourtesy to the two young tenors, Neil Mackie in the first (with Alan Civil's horn) and Adrian Thompson in the second, to say so: that is the inevitable aftermath of a great performer who himself directly inspired so much of the music he sang.

The Serenade, it appears, was originally written to contain one more song than it did in the work's final form. That seventh number, a setting of Tennyson's "Now Sleeps the Crimson Petal," was discarded and presumed lost; much later it turned up in the papers of the late Erwin Stein, whose daughter, Marion Thorpe, has released it for performance. On Friday, the song had its premiere in a completed scoring by Colin Matthews.

It is a beautiful song, given out with a gentle compound-triple rocking rhythm, the horn part counterpointing the voice in a simply lyrical fashion unexplored in the rest of the cycle. But it is quite clear why Britten chose to remove it: the work as it stands is a complete, compelling, and subtle whole without it.

The Holloway work was a first performance — *Inquietus*, Op.66, for small orchestra, written in Pears' memory, and almost exactly for the *Nocturne* ensemble of strings and a variety of obbligato instruments. It is one of Holloway's unassuming chamber pieces — salon music, one might almost call it — in which quietly euphonious lyrical moods are essayed (each of which, sung by a different wind instrument, bears "its individual tribute to the absent one"). A spikier *tutti* summing-up, at once resolution and disruption, adds to the curious (and to my ears, uncomfortable) flavour of the piece: at once bland and bitter.

Bedford's symphony/Festival Hall

Dominic Gill

David Bedford's 50th-birthday year also ushers in the London premiere of his first symphony. The coincidence is less significant than might be, since the symphony was in fact first performed by the RLPO in Liverpool two years ago; and the composer prefaces his own description of the work with a characteristically modest (or perhaps ironical) disavowal: "In composing this piece I did not intend to write a symphony, but realised towards the end of the writing that it had taken on the traditional gestures associated with symphonic thought."

Traditional gestures maybe but there is nothing in Bedford's first symphony of traditional symphonic toughness —and still less of traditionally symphonic elaboration. The original commission was for a 15-minute work, and a 15-minute work it remained: perhaps one of the shortest symphonies of the repertory, the whole of the music barely as long as the average symphony's first movement. The Stravinskian "symphonies" might have been a more accurate titular epigram: and indeed still more apt—for although the piece is over almost as soon as it has begun, even in such a short space of time Bedford manages to squeeze an extraordinarily fertile and energetic mixture of almost everything into his score.

The music is in one continuous movement. Quick cinematic cuts, bits, fragments of fragments, race by: tiny similies of Richard Strauss, little cells of Messiaen, a miniature skirl of Stravinsky, exuberant *Tubular Bells*-like permutations — there is a passage towards the end of the first section which sounds exactly as I imagine Steve Reich's next orchestral piece might sound if he were less anxious about his cultural origins; it may have been a mirage, but I thought I also heard a faint echo in the adagio section of Miles Davis's *Kind of Blue*.

Thursday's performance, by the BBC Symphony Orchestra under Simon Joly (presently assistant conductor of the BBC Singers), was averagely ill-prepared: shall we ever again hear London premiere which sounds well-rehearsed and supremely confident ? Mr Joly also directed the BBC Singers in two short *a capella* settings by Bedford of poems by the American poet Kenneth Patchen — charming essays, cast in an absolutely reliable "serious" 1960s idiom that is almost perfectly matched to Patchen's own — naive, well-meaning, postwar utopian update of Manley Hopkins.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

April 3–9

Music

ITALY

Rome, Auditorium in Via Della Conciliazione: Mon and Tue, George Pretre conducting. Mahler and Strauss (54 10 44).

Rome, Teatro Ghione (Via Delle Fornaci, 37): Pianist Angela Hewitt. Bach (Tue). (637 2294).

Rome, Teatro Olimpico (Piazza Gentile da Fabriano): The Sour Cream Trio (Frans Bruggen, Walter van Hauve and Kees Boeke) playing 14th, 15th and 18th century music (Wed). (39 33 04).

VIENNA

Academy of St Martin in the Fields, with Heinrich Schiff, Cello. Weber, Saint-Saens, Beethoven. Musikverein. (Mon).

Prague String Quartet. Mozart, Janaček, Smetana. Musikverein Brahms Saal (Tue).

Bach's St. John's Passion. Vienna Chamber Orchestra and choir, conducted by Günther Theuring; with Brigitte Poschner, soprano; Jadwiga Rappe, alto, Kurt Equiluz, tenor, Heinz-Jürgen Demitz and Anton Scharinger, bass. Konzerthaus (Tue).

Vienna Symphony Orchestra, conducted by Gary Bertini; with Krysztina Laki, soprano; Brigitte Fassbaender, alto. Mahler's second symphony. Musikverein (Wed and Thur).

ORF (State Broadcasting) Symphony Orchestra and the singers's academy conducted by Gianandrea Gavazzeni; with Sona Ghazarian, soprano; Manfred Hemm, baritone; Karin Adam, violin. Respighi, Busoni, Malipiero. Konzerthaus. (Thur).

First Women's Chamber Orchestra of Austria conducted by Carmen Moral, with Anne Leek, oboe. Takacs, Mozart; Sibelius, Janaček. Konzerthaus, Mozart Saal. (Thur).

NETHERLANDS

Amsterdam, Concertgebouw. The Netherlands Chamber Choir and the Amsterdam Bach Soloists conducted by Michel Corboz: Bach (Tue). (71 83 45).

Rotterdam, Doelen. James Conlon conducting the Rotterdam Philharmonic, with Marien van Staalen, cello; Robert Tear, tenor; and Martin van de Merwe, horn: Britten (Wed). The Rotterdam Philharmonic under James Conlon, with Mitsuko Uchida, piano: Mozart (Thur). (414 29 11).

Utrecht, Vredenburg. Hartmut Hänchen conducting the Netherlands Philharmonic (Mon). Recital Hall: The Orlando Quartet with Bian de Waal, piano: Brahms (Tue). The Philomel Ensemble: Couperin, Leclair, Boismortier, Duphly (Thur). (31 45 44).

The Hague, Diligentia. The Arion Ensemble under A. Lascae, with Janet Krause, violin: Van Wassenaer, Schubert, Elgar, Hindemith, Stravinsky (Wed). (65 18 51).

Maastricht, Schouwburg. Chamber recital by the Gabrieli Quartet (Wed). (21 33 60).

LONDON

Royal Philharmonic Orchestra, conducted by Bramwell Tovey; with Malcolm Binns, piano. Sibelius, Rachmaninov and Tchaikovsky. Royal Festival Hall (Mon). (928 3191).

Budapest Symphony Orchestra, conducted by Gyorgy Lehel; with Jeno Jando, piano. Liszt, Rachmaninov and Tchaikovsky. Barbican Hall (Tue). (638 8891).

Scottish National Orchestra, conducted by Neeme Jarvi; with Raphael Wallfisch, cello. Rimsky-Korsakov, Prokofiev and Dvořák. Royal Festival Hall (Tue).

English Chamber Orchestra, conducted by Raymond Leppard; with Lorraine McAslan, violin; Felicity Lott, soprano. Weber, Spohr and Mendelssohn. Queen Elizabeth Hall (Tue). (928 3191).

London Philharmonic, conducted by Kurt Sanderling; with James Galway, flute. Mozart and Bruckner. Royal Festival Hall (Wed).

London Mozart Players, conducted by Mark Elder; with Ernst Kovacic, violin. Mozart, Sallinen and Haydn. Queen Elizabeth Hall (Wed).

Academy of Ancient Music, conducted by Ivan Fischer, with Jill Gomez, soprano; Charles Brett, counter-tenor; Mark Tucker, tenor; and Ulrich Cold, bass. Mozart. Barbican Hall (Wed).

London Symphony Orchestra, conducted by Wyn Morris. Beethoven. Barbican Hall (Thur).

Philharmonia Orchestra, conducted by Esa Pekka Salonen; with Aage Haughlan, bass. Ravel, Mussorgsky and Beethoven. Royal Festival Hall (Thur).

TOKYO

New Japan Philharmonic Orchestra conducted by Seiji Ozawa. Mendelssohn, Mahler, Hitomi Memorial Hall, Showa Women's College, Sangenjaya. (Mon). Mahler Tokyo Bunka Kaikan (Thur). (499 1531).

Tokyo Symphony Orchestra, conducted by Victor Feldbrill; with Leonardo Gelber, piano. Brahms, Tokyo Bunka Kaikan. (Tue). (362 6764; 237 9990).

Orchestre de Paris, conducted by Daniel Barenboim. Debussy, Albeniz, Stravinsky (Wed); Berlioz, Schubert (Thur). Suntory Hall, Akasaka (723 2350; 505 1010).

PARIS

Orchestre Colonne, conducted by Pierre-Michel Durand; with Brigitte Engerer, piano: Beethoven, Liszt, Tchaikovsky (Mon). Salle Pleyel (4233 7289).

Gwendolyn Bradley, soprano; Mary McLaughlin, soprano; with the Nouvel Orchestre Philharmonique de Radio France conducted by Hans Graf: Mozart (Mon). TMP-Chatelet (4233 4444).

Men's Choir N.D. de la Joie, Ensemble Orchestral Harmonia Nova, conducted by Didier Bouture, Jean-Pierre Love: Cherubini, Mozart (Tue). Saint-Roch Church (4261 5225). **Ensemble Instrumental du Conservatoire National Superieur de Musique de Paris**: Wagner, Gounod (Tue). Musée d'Orsay (4549 4814, ext 4380).

Nouvel Orchestre Philharmonique, conducted by Garcia Navarro, Yuri Bashmet, Alto: Strauss, Bartók, Turina (Thur). Radio France, Grand Auditorium (4524 1516).

Orchestre des Eleves du Conservatoire National Superieur de Musique de Paris, conducted by Jean-Sebastien Beran (Thur). Salle Pleyel (4563 0796).

NEW YORK

Juilliard Concerts (IBM Gallery): Future Song Ensemble perform contemporary jazz (Wed, 12.30). 56th & Madison.

Merkin Hall (Goodman House): Eugen Gratovich violin and Sylvia Golman piano recital, Messiaen Beethoven, Schumann, Ives, Ralph Shapey, Respighi, Joaquin Nin (Mon); Steven Schick percussion recital with James Avery piano. Stockhausen, William Hibbard, Kenneth Gaburo, Wuorinen, Stuart Smith, Xenakis (Tue); Zaidee Parkinson and Susan Belling piano recital. Purcell, Brahms, Bach, Fauré (Thur). 67th w. of Broadway (362 8719).

New York Philharmonic (Avery Fisher Hall): Stanislaw Skrowaczweski conducting, Krystian Zimerman piano. All-Brahms programme (Tue); Leonard Bernstein conducting. All-Ives programme (Thur). Lincoln Center (874 2424).

CHICAGO

Chicago Symphony (Orchestra Hall): Leonard Slatkin conducting, Nadja Salerno-Sonnenberg violin. Joan Tower, Barber, Prokofiev (Thur). (435 8111).

The Stranglers & Simply Red

Antony Thorncroft

The Stranglers—the very name conjures up those dear distant days when you could have a hit record just by swearing at a TV interviewer, and excite an audience by spitting on it from the stage. But The Stranglers were never genuine punks: for one thing they were old and educated, and this unique stance has seen them through to long-term survival while The Jam, The Sex Pistols, etc., are just disturbing memories.

So there they were at the Hammersmith Odeon last week bashing out a set which could last them another ten years. Visually it is simple and perfect. The quartet stay in black, except for some chest baring at the end; the light show is neon white, creating a stark two-tone effect that emphasises the grit of the band. There is a brass section to add some contemporary blow.

In fact it is so timeless that it is reminiscent of Lou Reed and the Velvet Underground from an even earlier age. Suddenly The Stranglers are a mobile museum of rock, with touches of fifties rhythm and blues, even the odd ballad, "Golden Brown," but enough solid beat and menacing guitar work by Jean-Jacques Burne and Hugh Cornwall to keep the audience transfixed, if surprisingly static.

From the no-nonsense starter, "No more heroes," through to "Five minutes," it was 90 minutes of uncomplicated, good natured, rock. The Stranglers lyrics are fashionably alienating while remaining literate. But then the whole band is doctored punk, the measured response to the complacency of the pop world which was so refreshingly challenged in the mid-1970s. No one could be frightened by the Stranglers these days.

*

I doubt whether Simply Red will be around in 10 years time, although there is a good chance that lead singer Mick Hucknall will. He completely dominates this currently hot band and is already developing the vocal mannerisms that have made cults of Van Morrison and Joe Cocker.

In comparison with their superb albums Simply Red come over as one dimensional on stage, Hucknall lacking much charisma. But eventually the music, which veers towards Californian cool but with a pungent northern decisiveness, won over the drinkers at the bar of the National in Kilburn. When Simply Red returned to encore, with the haunting "Holding back the years" and the invigorating "Jericho" their reputation became justified. The subtle use of brass, with keyboards, behind Hucknall's crystal voice, is an unexpected triumph.

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The power of pork barrel

THE LATE Senator Everett Dirksen once said of a piece of legislation: "a billion here, a billion there, and pretty soon you are talking about real money." Last week the US Congress and, in particular, the Republican Party on Capitol Hill demonstrated much more interest in the real money in a $87.5bn (£54.2bn) highways bill than in making President Reagan look good and strong again. What the British call bread and butter issues—but which the US term pork barrel politics, triumphed over appeals for patriotism and fiscal responsibility, just as it had two months earlier when Congress had similarly overriden a presidential veto of a $18bn water bill.

With the benefit of hindsight, Mr Reagan's new political advisers might have wished they had chosen a different issue on which to try to prove that the President had recovered from the ravages of Irangate. What they got was a sharp reminder of exactly how much the balance of power in Washington had shifted over the last six months. Not so long ago, presidential arm twisting was the Administration's trump card; last Thursday, Mr Reagan invested much of his prestige in travelling across town to the Capitol, but still failed to persuade a single Republican senator to switch sides. Some of those who remained unconverted had once been his staunchest unquestioning supporters.

Oil crisis

Viewed exclusively in the light of $200bn a year budget deficits, the Highways Bill itself probably is profligate. But it should not be forgotten that the Administration itself had proposed a bill which, spread over five years, would have spent only $2bn a year less than what has now passed into law. Moreover, the benefits of the legislation, mostly to employment, are to be disbursed reasonably evenly across the country and there is less egregious pandering to special interests than is sometimes Congress's wont.

Critically, it also provides for raising the speed limit on interstate roads to 65 mph. There is hardly a congressman in the land, and none in the Reagan heartland of the West, who would dare vote in favour of retaining the 55 mph limit imposed in the first oil crisis.

In sum, the bill itself was never bad enough for the arguments of fiscal irresponsibility to take hold. More important was that it is precisely the sort of legislation that can help any number of members of Congress get re-elected next year. President Reagan has fought his last election and his political coat-tails have been trimmed to near invisibility. The balance of interest thus ran strongly against him, in both parties. Senator Robert Byrd, the Democratic majority leader, put it best in the course of the debate when he remarked that "potholes know no party."

Another element in congressional willingness to defy the President is the sense that on the great issues of the moment—exactly how and where to cut spending, trade legislation, aid to the Nicaraguan contras—the Administration seems currently bereft of ideas. Worse than that, its public bickering over what constitutes trade policy towards Japan points to some serious internal differences.

In this context, it does not bode well for policy initiatives that Mr Richard Darman, a legislative craftsman of some substance, is leaving the Treasury for the private sector. In spite of the influx of men like Howard Baker and Frank Carlucci into the White House, the executive branch is still not overloaded with talent.

Finger pointing

The Democratic Party, however, is also split over how best to respond to the patent fallibility of the Administration. One school, led by Congressman Jim Wright, the ambitious speaker of the house, sees a rare opportunity after six years in the wilderness to put democratic policies into action. His principal vehicle is the comprehensive Trade Bill, on which debate is now thoroughly joined. More conventional, cautious Democrats feel their chances next year will be increased if the let the President stew in his own juice, embarrassing him wherever tactically possible, and letting him carry the can for administrative ineffectiveness. They do not want to be blamed, for example, for any further swelling of the deficit.

But if both the Administration and Congress end up reduced to pointing fingers at each other, the world, as well as the US, will finish as losers. It is much easier to vote to spend money on roads—and lots of other congressional spending initiatives are in the pipeline—than to perform root and branch surgery on defence and welfare. The big tests have yet to be addressed.

French but still socialist

THE FRENCH Socialist congress, which has just been held in Lille, was not one of those dramatic party conferences at which a key policy issue has to be settled, or a new direction taken. In other countries, the time might have been propitious—a year after losing office—for some sort of radical re-think of doctrine and public image. But, in the peculiar circumstances brought about by the French constitution the Socialists have a chance to regain power in the presidential election which is now only a year away.

So this was the other sort of party conference: where everyone rallies to the flag in a demonstration of unity and confidence. Such a conference should, of course, be an apotheosis for the party leader.

Here the French Socialists suffer from a slight awkwardness. To all intents and purposes, their leader is still President Francois Mitterrand. But he, for good tactical reasons, is keeping everyone guessing whether he will run for reelection. The majority of the party would like him to do so, but a minority sees next year as the last chance for its champion, Mr Michel Rocard.

Tactical alliance

In the event, this issue was finessed with some skill. Mr Pierre Mauroy — the former Prime Minister and, as mayor of Lille, host to the congress—said he hoped Mr Mitterrand would run but effectively promised the party's support to Mr Rocard as second-best choice. That fell well short of apotheosis but was better than nothing.

The congress was, above all, an occasion for the party to remind itself, and the electorate, what it is and for what it stands. What it is—or wishes to be seen as—is, emphatically, still a socialist party and a party of the left, in fact *the* party of the left. That may sound self-evident but is not entirely so in the light of the very considerable changes the party underwent during its terms of office from 1981 to 1986. "We learned, therefore we changed," as Mr Laurent Fabius, Prime Minister for the last two of those years, put it in his speech.

In office, the Socialists, perforce, became much more realistic in their approach to the economy, much more sceptical about the role of the state. Their tactical alliance with the Communists broke up and, in the last year, the relatively smooth "co-habitation" between a Socialist president and a conservative government has suggested to some that the age-old conflict of right and left in France has at last been resolved. There has been speculation about a possible new centre-left alignment. Mr Jacques Delors, the Socialist president of the European Commission, recently spoke of an ideological armistice but at Lille that remark was repeatedly denounced, to loud applause. The Chirac Government's record and the right-wing alternative offered by Mr Raymond Barre, were repeatedly and bitterly denounced. It was recalled that, even if the Communist Party itself were no longer a threat, its disillusioned supporters still had to be given reasons to vote Socialist.

Yet none of this should be taken as meaning that the party has swung wildly back to the left. Certainly, it has not gone back to the old equation of socialism with state control. Even while denouncing the privatisation programme of the present Government, it has carefully avoided any pledge to reverse it. Of course, it claims—not altogether convincingly—that it could do better than the present Government on employment and social security, but it shows no sign of repeating the mistake of 1981 and making a dash for growth without regard to the behaviour of France's trading partners.

The party's present "leftism" is largely a question of mood and of style, combined with pride in having abolished the death penalty and a determination to be nicer to France's immigrant population. Compared with the Labour Party here, or the SPD in Germany, it is still a model of responsibility and common sense.

THE WASHINGTON ECONOMIC TALKS

Wait, hope, co-operate maybe

By Philip Stephens, Economics Correspondent

IN Paris two months ago the talk was of "Plaza 2", another stride along the path of enhanced international economic co-operation which began in September 1985 at New York's Plaza Hotel.

After their success in driving down the dollar to more realistic levels, the leading industrial countries agreed to promote a period of currency stability to allow time for the world economy to adjust. Central bank intervention to calm the foreign exchange markets would be buttressed by macro-economic policies to promote more balanced world growth.

Finance ministers were bursting with good intentions about their respective roles in shifting the economy into a higher gear and, above all, in tackling the huge US trade deficit and the parallel surpluses in Japan and West Germany.

With co-operation back in vogue, economic policymakers envisaged this week's meetings at the International Monetary Fund and the World Bank as a rather dull affair.

The job in Washington would simply be to reaffirm the currency deal and perhaps edge another inch or so towards a more formalised system of economic policy co-ordination ahead of June's economic summit in Venice. The heavily indebted nations, meanwhile, would be reassured that the so-called Baker plan was still up and running.

They must be wondering what went wrong.

Despite the calm which has returned to the markets in the last few days, the exchange rate accord has been shaken by the failure of massive central bank intervention to prevent a 4.5 per cent appreciation of the yen's value against the dollar.

The threat of a three-cornered trade war between Japan on one side and the US and Europe on the other has turned the smiles of Paris into frowns. In parallel, the sluggish pace of growth in the world economy has disappointed even natural pessimists.

Last autumn's emergency loan package for Mexico has still to be completed after six months of increasingly bitter wrangling between commercial banks. The industrialised nations are not even seriously negotiating with Brazil despite a unilateral moratorium on the bulk of its debt interest payments.

There has, of course, been an effort in the last few days to improve the atmosphere. The rhetoric on trade has been toned down. With American interest rates beginning to rise in response to the dollar's weakness, Mr James Baker, the US Treasury Secretary, has shifted back to a more positive stance on the need to stabilise the markets.

That suggests he will agree that Wednesday's meeting of the Group of Seven industrial nations should reaffirm the intent of the Paris accord.

As one senior European monetary official rather cynically put it "If we don't say that we still agree the markets will go haywire. Everyone loses if that happens. How far what we say actually reflects what goes on at the meeting is another question."

The details of the Paris exchange rate agreement are still murky. Mr Nigel Lawson, Britain's Chancellor, has been more forthright than most in his comments, suggesting that finance ministers and central banks have set agreed bands, or target ranges, for each of the major currencies.

Those ranges appear, however, less precise than some of the players would like the foreign exchange markets to think. Thus Mr Nakasone suggested a week ago that the yen had risen above its Paris ceiling against the dollar agreed in February, while Mr Lawson's comment four days later was that the movement was within the agreed parities.

Other European central banks have indicated that any commitment they have given to assist Mr Lawson in his new policy of seeking to hold sterling at close to its present levels is symbolic rather than substantive. If there is joint intervention, the Bank of England will bear the cost.

One possibility is that the ranges agreed in Paris are overlapping, with different upper and lower trigger points for different central banks. Thus for example the US may act before either Japan or West Germany if the dollar begins to rise, but is only obliged to intervene at a later stage when the US currency is falling.

The co-ordinated intervention between central banks has been less than smooth. With the dollar's fall since Paris focused on its rate against the yen, the Bank of Japan has spent around $10bn supporting the US currency.

Though well-publicised, Europe's contribution to the supposedly joint action has been only a tiny fraction of that. While providing token help to the Japanese authorities the Europeans have privately welcomed the yen's appreciation.

"There is a widespread agreement in Europe that the yen should strengthen . . . we have intervened with only very small amounts," admits one leading central banker.

The only thing that prevented him from saying the same thing publicly was the fear that such open disarray might lead to the complete break-up of the accord, with the markets then perhaps deciding to turn their attention to European currencies.

Mr Baker's attitude to the commitment to stability has also appeared equivocal. As the US Administration has remained under siege from protectionist pressure in Congress, he has been reluctant to talk in terms of targets for the dollar. That in turn has left the markets suspicious of just how strongly he is committed to a stable dollar.

As one European official comments: "The US Administration is in a hideously difficult position. On the one hand if it says it wants stability it gets trouble from the protectionists on Capitol Hill. Then when it says there is no target for the dollar, to assuage the protectionists, it is accused of talking the dollar down."

This week, however, Mr Baker will be looking for more than sympathy for his predicament. The IMF's latest forecasts are expected to show that world economic growth in 1987 will if anything be below the 2½ per cent achieved last year.

At the same time the US can expect this year a current account deficit of around $130bn, while Japan's surplus will remain close to $80bn. West Germany's surplus is projected to fall rather faster, but still to total about $30bn.

Economic growth in Japan is expected to be close to the world average, while in West Germany the latest projections point to a rise in output of just 2 per cent.

West German policymakers insist they have lived up to their commitment in the Paris accord by increasing the size of next year's planned tax cuts. The Bundesbank has also let it be known that it may act to nudge down market, if not official, interest rates, if the economy does not show stronger signs of reviving in coming months.

"It is absolutely clear that West Germany has delivered. It was very clear from the beginning that we never promised anything more," one key West German official commented.

The Bonn Government will also stress that the profile of growth suggests a steady strengthening throughout the year, that domestic demand will remain relatively robust, and that import volumes will continue to expand.

That may be true, but it is unlikely to convince many in the US Administration that Mr Gerhard Stoltenberg, the West German Finance Minister, has fully observed the spirit of the deal.

The real pressure in Washington, however, is expected to be reserved for Japan, with Europe seeking to deflect US criticism of its own performance into a wider attack on Japan.

In more temperate times the difficulties faced by Mr Yasuhiro Nakasone, the Prime Minister, in pushing his budget and tax proposals through the Japanese Diet might have received a sympathetic hearing.

The disputes with the US over semi-conductors and with Europe over such issues as Cable and Wireless, however, have left Japan's partners publicly sceptical about its good intentions.

Mr Lawson said last week that he would regard a satisfactory outcome to Cable and Wireless's attempts to secure a foothold in the Japanese telecommunications market as a touchstone of the good faith of wider pledges to open up its markets.

West German policymakers have complained that Japan has been using Europe as a dumping ground for exports which have become uncompetitive in the US.

The apparent identity of interest between Europe and the US in attacking Tokyo, however, is unlikely to prevent Mr Baker from pushing for further moves to bolster the institutional framework of international policy co-ordination.

The US view is that the economic performance indicators—covering growth, exchange rates, monetary policy, current account balances, budget positions and inflation—developed by the IMF should provide the basis for a more formalised system of policy co-ordination.

It is an idea strongly supported by Mr Edouard Balladur, the French Finance Minister, who appears ot have injected a new pragmatism into France's longstanding calls for an overhaul of the international monetary system.

Both Paris and Washington see the indicators as a way of ensuring that the burden of tackling trade imbalances is fairly shared between surplus and deficit countries.

Mr Balladur believes that considerable progress has been made by in defining which indicators should be used and how they should be monitored to ensure that policy in each of the major economies is compatible. The next stage would be to institute procedures whereby significant deviations by one or other country would trigger joint consultations.

Despite the French Minister's disavowal of a mechanistic approach to such indicators, his enthusiasm is not shared by his West German and British colleagues.

They see a danger of being "bounced" by the Americans and the French into a process which would evolve inevitably into a system of target zones for the major currencies. Their hope is that any agreement next week and subsequently at Venice will be based, as one official put, "on the lowest common denominator." Translated that means indicators provide a useful common basis for analysing trends in the world economy—but nothing more.

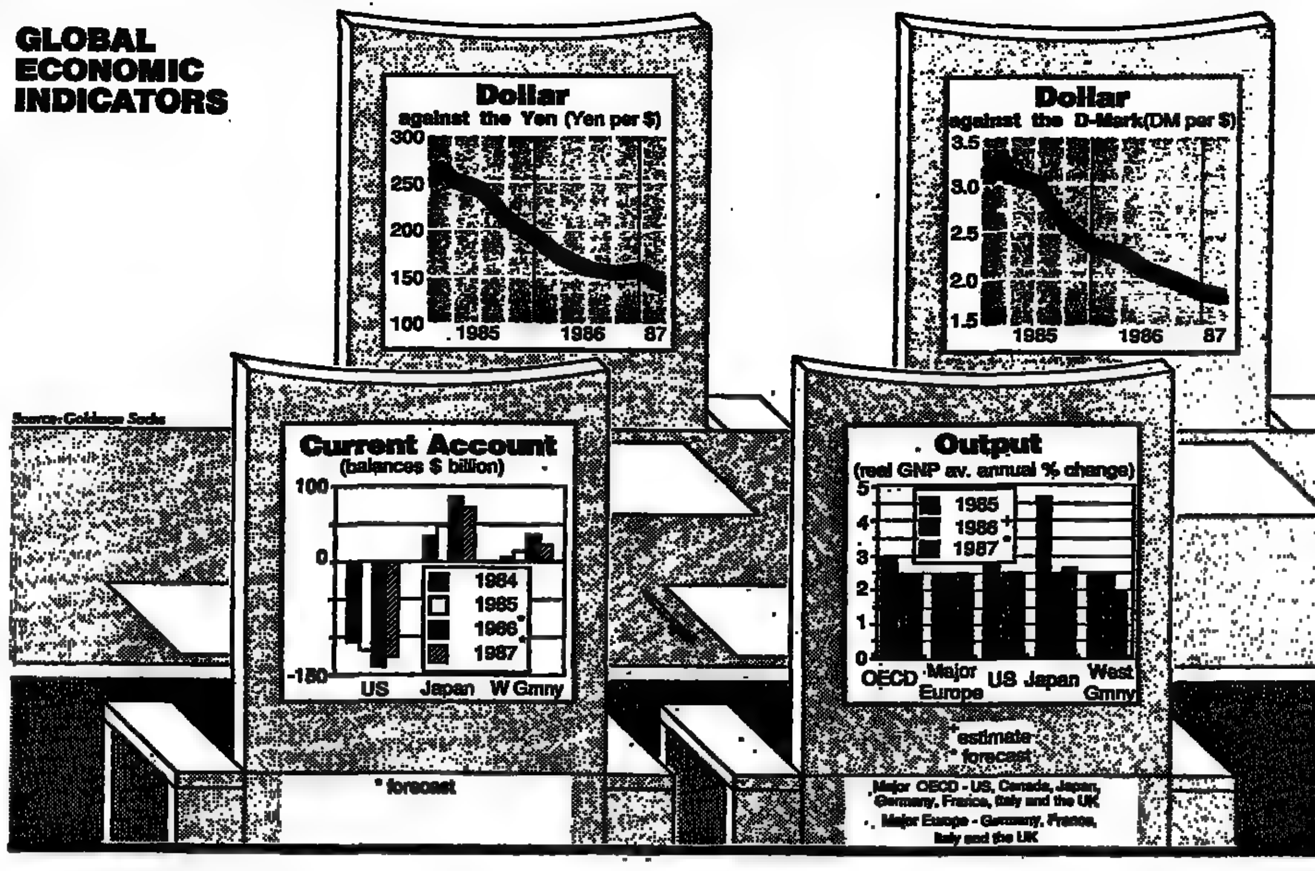
In the meantime they are likely to point to IMF projections of a pick-up in growth later this year and early next.

The argument is that the massive shift in exchange rates last year has delayed the benefits of lower oil prices. A period of exchange rate stability therefore is needed to allow economic decision-makers in both the developing and developed world to adjust to those twin shocks.

At some stage, most European as well as American officials believe, the dollar will have to fall further in order to bring the US current account deficit down to a more manageable level. But the Europeans hope that turbulence on financial markets in recent weeks may have once again persuaded Mr Baker that a pause would benefit everyone.

The same wait-and-hope message (perhaps with some private understanding that governments should do a little more to twist the arms of their commercial banks) is likely to be delivered to the heavily indebted nations. Some new official inititiative to help the very-poorest nations of sub-Saharan Africa could sweeten the pill.

Overall western policymakers hope at least to hold everything together until the Venice summit. And after that? Well there is always the next round of IMF meetings in September.



Men and Matters

Salmon in the Channel

Salmon have become so rare in southern Britain that river authorities have taken to issuing press notices recording the number of fish taken — 176 in the Thames in the past year, the Thames Water Authority claim.

Things are about to change. English Channel salmon will be freely available for gourmet menus shortly when the first full-scale salmon farm is opened in Portland Harbour by Golden Sea Produce.

The Scottish fish farming company, owned by the Norwegian group Norsk Hydro, has arranged a lease with the Crown Estate Commissioners and the Ministry of Defence to expand to the Channel from the Scottish lochs where it has been farming salmon successfully since 1973.

Portland Harbour is a vast enclosed anchorage, built by 19th century convict labour to accommodate a Grand Fleet of battleships and cruisers, which has long since sailed into the sunset. The farm, a £1.5m project, will produce up to 500 tonnes of salmon a year. The first fish will be ready for sale one year from now. As the water is warmer than the Scottish lochs the fish should mature more quickly.

Fish farming is a fast-growing business with European farmed salmon alone expected to turn over about £250m next year. That perennial favourite of fish-lovers, the Dover sole, seemingly grows too slowly for profitable farming.

But Guy Mace, managing director of Golden Sea Produce, says he is delighted with the 4 lb turbots his company is now farming in special land-based tanks on the banks of the lower Clyde.

In the warm waters of the Mediterranean sea bass and sea bream are being farmed. In colder Norwegian waters government scientists bred their first halibut last year, and have since reared a further 200.

As halibut grow to between 300 and 400 lb weight, compared with about 9 lb weight on average for a farmed salmon, the halibut looks like providing a rich new source of table quality fish meat.

But leave the carving to the experts, though.

Leysen's Europe

Although Andre Leysen, aged 59, one of Belgium's most successful industrial managers, has let it be known he is stepping down as president of the Agfa-Gevaert films, photographic equipment, and office systems group, there seems small prospect of him going into quiet retirement.

He intends to retain an important non-executive role at the group he helped restructure under the wing of Bayer, the German pharmaceuticals concern—now Agfa's parent. He is also widely tipped as a future president of the European employers' group UNICE, where he currently occupies the number two slot.

Leysen first made his presence felt in Belgium in the mid-1970s as saviour of the leading Flemish newspaper De Standaard. He moved on to the much greater challenge of Agfa-Gavaert, which was split 50/50 between German and Belgian shareholders when he arrived in 1979. He candidly describes that arrangement as, "a sure recipe for disaster."

He also freely admits that luck came to the rescue in the form of the sharp increase in the price of silver inspired by the activities of the Texan Bunker Hunt who tried to corner the market. "Agfa-Gevaert uses 700 tonnes of silver a year," Leysen recalls, "and that made a difference of $600m in our costs. We were practically broke. I asked my shareholders to come together, and they made a deal to exchange their shares within 48 hours."

"I SAID—roll on a trade war with Japan"

Perhaps the best clue to Leysen's future ambitions lies in the title of his much-acclaimed book—Not *Wait* and See But *Do* and See.

High fliers

More than 40 qualified commercial airliner pilots who also happen to be female have applied to British Airways for jobs as the airline's biggest-ever pilot recruitment programme is prepared to take-off this spring.

I learn from BA officials that the airline, unlike a number of other airlines, has never had a woman pilot—but is determined to choose a few from this batch. Indeed, having made the policy decision, BA will offer women pilots a career path up to the best-paid jobs in the airline, driving long-haul jumbos.

It is likely that there will be two or three women among the first dozen pilots chosen to supplement BA's current force of 2,000 pilots. The intention is that women will then be included in each successive batch of entraints, as BA works towards its target of 1,200 new pilots over the next 12 years.

Yes, they will get equal pay. As trainee pilots already holding licences they will get £16,000. When in charge of the flight deck of a Jumbo they can expect three times as much.

And, no, they will not be made to look like clones of the male pilots. Already the most fertile brains in BA are thinking about designs for a woman pilots' uniforms.

Italian job

One of the proudest possessions of RAI, the Italian state radio and TV service, since it started in its present form about six years ago, has been its computerised archive.

Then the world was young, and problems posed by computer hackers were not taken too seriously.

But, having noticed last month that something was seriously amiss with the archive, RAI has had to call in computer consultants to help sort it out and give it greater security.

Somebody with a sense of humour and a keen intelligence has wrought havoc among the files.

You would need to be something of an expert on Japanese politics to spot that the names of all the members of the Japanese cabinet have been changed.

But a casual awareness of the Soviet Union should be enough to have you doubting whether, as one film label now says, Gorbachev would be delivering a speech to the troops on the need "To save our souls."

Course of love

Overheard in a Chelsea pub: "What convinced me that he was really serious was when he bought me a dinner that wasn't on his expense account."

Observer

MAGGIE THATCHER is pretty full of herself after her visit to the Soviet Union, and no wonder. Everyone agrees that it was a tremendous success, and no one agrees more tremendously than Maggie herself. Well, almost everyone; after the predictable mauling he had just received at the hands of President Reagan and the entire US Administration, one could hardly expect Neil Kinnock to be quite as enthusiastic as the Prime Minister herself over her five-star treatment in Moscow. Even so, his sourness looks overdone, graceless and stupid.

On the other hand, it is a bit thick for Mrs Thatcher to adopt a pose of affronted dignity when he, in effect, accuses her of using the trip for pre-electoral barnstorming. After the event, it is plain that her meetings with Mr Gorbachev were very successful in personal terms; it is even possible that their discussions, unprecedented in terms of intensity and duration at a top-level East-West meeting, may turn out to have been politically very significant.

But despite the success of her first encounter with him in London at the end of 1984, she could not have known in advance that they would on this occasion spark even more famously together. She had to have an insurance in case they did not, and everyone knows that the insurance was built into a programme tailor-made for pre-electoral barnstorming.

Candles in the monastery at Zagorsk, lunch with the Sakharovs, breakfast with the Beguns, an unscripted debate on Soviet television, handshakes all round and an unlimited supply of photo opportunities—OK, come on, tell me: is that high diplomacy and sober statesmanship, or is it mainly playing to the gallery back home, the continuation (as Clausewitz might have put it) of domestic politics by other means?

Well, of course, it is a bit of both. In the age of mass communications, diplomacy is not just discreet negotiation, it is also showmanship; and in the age of Mikhail Gorbachev and *glasnost*, it would be culpable neglect for Mrs Thatcher not to have seized every opportunity of getting across a favourable image of British views and western arguments.

Still, the fact that she is now adopting such a proconsular posture, and speaking in such portentous tones, suggests that she has been surprised as well as impressed by the remarkable success of her communication with the Soviet General Secretary. The way she and her ministers are carrying on, you would think that something really earthshaking had happened in Moscow. She told parliament that her visit was "very significant at what could be a turning point in history." But if you seek a further explanation of this significance, all you discover is that the Government believes it has now acquired a unique insight into Kremlin thinking. There seems to be a gap between the headline and the text.

Foreign Affairs

The gap between headline and text

By Ian Davidson

A similar disjunction seems discernible in the Soviet reviews of the visit. Manifestly, the Kremlin went out of its way to ensure that the visit was a success, even to the point of facilitating her electioneering; manifestly, in personal terms it was even more successful than any planning had allowed for; in public relations terms it was a sensation. And yet Soviet commentary has been ambivalent in judgment, as if in doubt whether this had been, after all, an important event.

Uncertainty of this kind may be a characteristic of the Gorbachev era (as we may yet learn to call it). Ever since he came to power, he has faced us with a dramatic and incessant flood of striking speeches, policy innovations, personnel reshuffles, and international initiatives. There is no question but that change is in the air, and that the Soviet Union is less predictable than at any time for the past 20 or even 30 years. But western experts still remain divided on what they think Gorbachev represents and where he is going; whether he is really a reformer or just a younger and more dynamic administrator of the existing system.

It seems to me quite possible that Mikhail Gorbachev himself still does not really know for sure where he is going, or at least that he does not see very far down the road ahead. There is a celebrated passage in his speech to last year's 27th Party Congress in Moscow which disarmingly concedes as much:

"The prevailing dialectic of present-day development consists in a combination of competition and confrontation between the two systems, and a growing tendency towards the interdependence of the countries of the world community. This is precisely the way, through the struggle of opposites, through arduous efforts, groping in the dark to some extent as it were, that the controversial but interdependent and in many ways integral world is taking shape."

This passage is usually cited as evidence, or at least as a straw in the wind, that Gorbachev has renounced, or believes it ought to be possible to renounce, the East-West conflict.

More recent speeches have made a similar point. At February's International Forum in Moscow, for example, he said: "Our international policy is more than ever determined by domestic policy, by our interest in concentrating on constructive endeavours to improve our country. That is why we need lasting peace, predictability and constructiveness in international relations."

But what was so suggestive about the passage in last year's party congress speech, and so different from traditional Soviet claptrap about "detente," was the tentative little phrase *"groping in the dark to some extent as it were."*

His caution is not surprising. It could not be easy to cast away 40 years of confrontation and replace a policy deliberately aiming at antagonism and dominance with one aiming at an "interdependent and in many ways integral world." It could not be easy to introduce openness, democratisation, reconstruction, into a political system which is entirely alien to any of these ideas. Yet Mr Gorbachev's implied hesitation about the ways and means is not just one of those personal characteristics which make him such a very different Soviet leader it also lends greater weight to what he says and does.

Cynical Sovietologists warn us not to expect much of the Gorbachev reform programme: the system will not permit it, and he has no experience of any other. They may be right; given the weight of history, it looks like the safest prediction. Yet it seems wilful to deny all the manifest indications of movement; hunch says that great changes may well be in gestation.

Ostensibly, nothing happened at the Reykjavik summit; yet it gave off vibrations worthy of an international earthquake, and the rumblings can still be felt, most acutely in Europe. Similarly, nothing happened during Mrs Thatcher's visit to Moscow, apart from a clutch of minor agreements; but we may yet discover that Mrs Thatcher is right; it may prove to have been "very significant, at what could be a turning point of history."

But what exactly did it signify? Needless to say, I do not know and perhaps nobody does. But since I raised the question, perhaps I ought to hazard a guess at the answer.

In the first place, why did Gorbachev plan such a lavish and flattering programme for her visit? That after all is a preliminary indication of its significance in his eyes. If you exclude the personal charisma that had worked in 1984, I suggest there may have been four policy factors.

First and least flattering, the Soviet leader may have an inflated view of Britain's significance on the world scene. We may have had to get used to the idea that Britain is a not-very-successful middling European power, which is outclassed in economic terms by West Germany, France, Japan and now Italy. But perhaps the Russians are unduly impressed by our anachronistic status as a permanent member of the United Nations Security Council, by the City, or by our military prowess in the Falklands War.

Second, and more seriously, they may be impressed with Mrs Thatcher's role as President Reagan's closest ally and strongest friend. On two occasions, she has gone to Camp David to interpose some brisk common sense in his negotiating posture vis-a-vis the Soviet Union, and shepherd him back from the realms of fantasy; first over Star Wars, second after Reykjavik.

Now Mrs Thatcher's view of Star Wars is much closer to the public Soviet view than to that of President Reagan, though she carefully refrained from saying anything of the kind in Moscow; whereas she profoundly and publicly disagrees with the feasibility of the Reagan-Gorbachev vision of an almost nuclear-free world.

If Mr Gorbachev is genuinely persuaded of the possibility of nuclear disarmament on that scale, unlikely as it may seem, he may see Mrs Thatcher's advocacy of the opposite point of view as a serious obstacle.

But the clue to the two central factors came in a little paragraph in Gorbachev's banquet speech last Monday. "At this critical moment for Europe," he said, "it is its nuclear powers —Britain and France—that we are addressing in the first place."

The only real threats to Soviet security come from the ideological fixations and the military strength of the US; and from the structural instability of the East European empire. But the West European constellation, currently in flux, could turn out to be a critical factor.

If Gorbachev seriously hopes to make headway, despite the setback in Reykjavik, on a programme which would amount to a mutual renunciation of nuclear deterrence between the superpowers, he needs advance indications of how the European members of Nato would react

He may believe that some countries, like West Germany, would succumb to a neutralist tendency. But he must have noticed that the most spectacular effect of the Reykjavik earthquake, was to persuade the French Government to take the unprecedented step of proposing nuclear co-operation, on non-specific terms, with Britain. He must now have a shrewd idea that, with Mrs Thatcher in Downing Street, a successful Soviet manoeuvre to split Europe from America might do more to federate Western Europe in political terms than the European Community's founding fathers could ever have dreamt.

"You would think something earth-shaking had happened"

Britain and Argentina

A plea from the heart

By Maximo Gainza

ONE SUNNY morning in January, five years ago, I rode with an old soldier friend on the windy expanses of his *estancia*, on the northern edge of Patagonia, not far from the sea.

Suddenly, two Mirage fighters popped out from behind a hill, flying straight at us. They screamed over our heads, low enough to startle the horses, and were gone.

Soon after, as we drank beer on the terrace while listening to a recording of the "Pirates of Penzance," another pair of French-built Mirages thundered past, rudely interrupting the Major-General.

The sight of so many jet fighters in such a remote area intrigued me. Was it some sort of military exercise?

"It's the Malvinas," replied my host. "We are going to retake them later this year."

I wasn't sure I had heard properly. "There isn't much Britain can do," he said. He outlined a clever—and on the face of it convincing — battle plan for a bloodless Argentine re-occupation of the islands.

I then asked him — not so much out of intellectual curiosity as for fear of my own ambiguous position as an Argentine living in London—if he really thought Britain would take this lying down.

"Even if they launched a counter-invasion — which I doubt — Britain is clearly uninterested in the islands. America wouldn't allow it," he replied.

True enough, Argentine "advisors" were doing much of America's dirty work in El Salvador, and General Galtieri was the toast of Washington.

But even so, I reasoned, no one could expect America, particularly under Reagan, to inflict a second Suez on her closest ally? Nor could Argentina *really* be serious about wanting to twitch the old British lion's tail?

My friend did not see it that way. The Argentine plan, he explained, was not meant as a case of one-in-the-eye for Britain. It was simply aimed at drawing the attention of the British to the fact that, much as we liked them, they were stepping on our toes.

I could hardly believe my ears. My friend was no political hothead. An anglophile — as so many Argentine nationalists are — we had been at an Anglo-Argentine school together. In the mornings we were good Argentines, learning in Spanish, in the afternoons we were taught by masters imported from Britain, too often straight out of "Decline and Fall."

Together we cultivated our own language—Spanglish—to the annoyance of our teachers. Through them we had inadvertently learned to admire the strengths of the Island Race: their free spirit, their manners, their sense of humour. We also understood their weaknesses and foibles. They were snobbish, as we "Latins" could be; bullies, as we also were—though we lacked their style. Only the British, we marvelled, could make their victims feel they thoroughly deserved what they got.

Five years on, I still wonder how two like-minded nations could have so monumentally misunderstood one another.

All this, however, is water under the bridge. Yet is saddens me to see Britain unable to match the courage of those who died for her in the South Atlantic when it comes to the search for peace.

Mrs Thatcher, we are told, is resolute. She will stand by the Falklanders' right to self-determination. She will not hand them over to a country which has yet to prove its democratic credentials. Talk of self-determination to the people of Diego Garcia, we say. Talk of democracy to the people of Hong Kong.

The British Government says that it has done all in its power to befriend the Argentines. It has rescheduled Argentine loans with British banks, lifted trade embargoes, eased visa restrictions, and so on. None of these "gestures" appear disinterested to the Argentines.

As one with deep and tested sympathies for both sides, I see the British Government still playing to the gallery—as, indeed, are the Argentines. I see no political will in Mrs Thatcher for settling this sorry dispute and very little of it left in President Alfonsin.

Pride and righteousness is all our two countries seem to have left in common. Neither of these is negotiable.

The author is the London correspondent of La Prensa, one of Argentina's leading newspapers.

Letters to the Editor

Rates for the jobs

From Mr D. Redfearn

Sir,—With all due respect to Tony Christopher (March 31), there is no right way to tax houses. To do so is only to discourage house building at a time when more and cheaper houses are needed, and to stand in the way of owners who wish to improve their properties. In two ways, therefore, it promotes unemployment, besides causing needless inconvenience.

If only Tony Christopher had listened to You and Yours (Radio 4) on Thursday March 26, his letter might have been different. This programme, entitled Rates for the jobs, began with a tour of Pittsburgh in the company of its Treasurer, who explained that, since the City had been taxing the value of land (all land) at six times the rate that it taxed buildings, revenues had increased though most individual householders paid less, building activity had been greatly stimulated, and unemployment was on the wane.

The listeners then went for an imaginary walk round Whitstable, Kent, with the surveyor who carried out a pilot project there in 1973 with a view to ascertaining the probable effects of de-rating buildings entirely, and basing assessments on land value alone. Point by point, he demonstrated how the Pittsburgh effects could be repeated in Britain if only the will for effective action could be found.

Please, Tony Christopher, just take a walk up Vauxhall Bridge Road to number 177, where you will find the office of the United Committee for the Taxation of Land Values. I am sure the friendly people there will be delighted, not only to discuss the broadcast with you, but also to show you all the rest of the evidence that the Pittsburgh experience is not just a flash in the pan.

D. S. Redfearn,
15 Fennell's Close, Eastbourne, East Sussex.

House price differentials

From Mr J. Muellbauer.

Sir,—Your summary of our research (March 30): "Widening regional house price differentials are the main (sic) cause of pay pressure" needs amendment. You also attribute to us the following: "Since 1984 the widening of house price differentials alone would have been responsible for increasing real wages by about 4 per cent." In fact, our research paper makes clear that the 4 per cent is a prediction for the period 1984-1988. If real wages increase by 12 per cent over this period, only one-third can be attributed to widening regional house price differentials.

John Muellbauer,
Nuffield College, Oxford.

Perceptions of the future

From Mr P. Wood,

Sir,—The views of Mr Gerald Corbett of Dixons, quoted in your report on business school graduates of the class of 1979, are intriguing, principally because it is clear that his perceptions of Britain's long-term future and the needs of the disadvantaged incline him to support Mr David Owen "socially and intellectually," but in the short term he will vote Conservative out of what looks like self-interest.

This pragmatism was once described by a distinguished American writer as a prescription for moral chaos.

If Mr Corbett will not back his intellectual and moral convictions—in other words if they aren't real convictions—then from what basis other than self-interest and opportunism is he speaking? It seems an odd stance for an admirer of Mrs Thatcher to adopt.

Peter Wood,
Newbold Farm, Duntisbourne Abbots, Cirencester, Glos.

Opposite views on religion

From Mr E. G. Macfarlane

Sir,—When I saw your front page headline (March 31) "Gorbachev and Thatcher stand firm in talks." I murmured to myself: "Not too firm, I hope!" —because, really, what hope of readjustment in either country or in world affairs is there if incompatible political positions are firmly adhered to by both sides?

There is sound statesmanlike backing for a relaxation of firmness from Edmund Burke whose fame as a statesman is legendary and who was by no means a Marxist or national isolationist when he said: "A state without some means of change is without the means of its conservation."

May I be allowed to mention one important fault in the USSR which has a somewhat similar counterpart in Britain—in the hope that the fault will get summit attention?

I refer to the fact that there has been a state-supported bias against religious activities in the USSR ever since the single-party state was established in 1917. Now Russian communists have been strongly condemned by Christians of various types as well as humanists and other irreligious sects in Britain for this trouble-inducing practice.

So, let us be fair and admit that a similar but opposite fault has been present in the form of a pro-religious and anti-atheist bias in Britain. For example, the 1944 Education Act was a blantantly pro-religious attempt to uphold the biased principle that Brtain is a "Christian" rather than a "multi-faith" society.

Surely it is not beyond the combined wits of Mr Gorbachev and Mrs Thatcher to fix their minds on and act together to abolish this common transgression against a scientific neutrality to theistic and atheistic beliefs alike.

Anyhow, I think that here is an area of social policy where firmness to old ideas by both leaders should be relaxed and a concerted attempt should be made to introduce a policy of moral neutrality in both states with a view to a possible democratic merger or other institution of a common state later. I am making this latter suggestion because even Edmund Burke could hardly substantiate a theory that a multi-sovereign-state world can ever be other than an international anarchy such as has been the case for many decades and still persists in the case of our world in general at the moment.

May I also attempt to forestall the possible storm of condemnation for this idea by reminding all readers that Soviet control of Russians is not necessarily for perpetuity and neither is the division of the world into over 200 globally lawless states?

Edward Graham Macfarlane.
108 Forthill Road, Broughty Ferry, Dundee.

The right not to strike

From Dr M. Green

Sir,—In its Green Paper "Trade unions and their members" the Government proposes that a member of a union who continues to work after a majority of the group in dispute have voted in a secret ballot to withdraw labour shall be legally protected from any disciplinary action by the union. The principle of this proposal strikes at the heart of democracy and glorifies anarchy. Does it not imply that, if I, as a member of the electorate, refuse to conform to some law enacted by a democratically elected Government on the ground that I do not agree with it, then I shall be free to do so without any fear of legal restraint or punishment. Freedom to dissent is an essential freedom but freedom to flout the decisions of an organisation to which you belong, be it nation, church, professional association, trade union or even tennis club is most certainly not.

In an enlightened society the punishment need not be harsh. For example, it is now generally accepted that conscientious objectors to war should not be imprisoned but that they should be required to undertake non-combatant duties not just watch others fight. By analogy, it might be considered appropriate that a union member who objects to withdrawal of labour even after a majority decision should be permitted to work but be required to make over his earnings during the period of withdrawal to the strike fund of the union thus rendering non-combatant help to those "injured" by the dispute. Those who are motivated by a genuine objection to strike action not merely by a desire not to lose money would find this requirement acceptable.

(Dr) Maurice B. Green,
(Past President, Association of Management and Professional Staffs),
*1 Dinorben,
79-81 Woodcote Road,
Wallington, Surrey.*

Corporation tax payments

From Mr T. Batcheler

Sir,—Since the Budget, there has been much talk of companies being able to pay their corporation tax 21 months after the end of their accounting period. Indeed, an example in an Inland Revenue press release showed a 21-month gap from March 31 to January 1. They at least should know better. It is not possible to have a 21-month gap. A pre-1965 company with an accounting date of March 31 would have had only a nine-month gap. The absolute maximum would be April 7 to January 1 or 20 4/5 months, and April 7 is not a very usual accounting date.

A company which made up its pre-1965 accounts to June 30 has an 18-month gap, September 30 had 15 months and December 31 a 12-month gap. The first loses nine months over the period from January 1 1989 to April 1 1991, the second loses six months up to July 1991 and the third, three months up to October 1 1991. The reality, which is that at some stage two lots of tax have to be paid during the course of one accounting period, is bad enough without indulging in fantasy.

Tony Batcheler.
4 Fir Tree Road, Banstead, Surrey.

FINANCIAL TIMES
Monday April 6 1987

Roderick Oram on Wall Street

Hunter turns teacher

MR RUDOLPH GIULIANI, scourge of insider traders, finds it distressing that many Wall Street law breakers are so young. Undeterred and armed with his clout as US Attorney for southern New York, he pursued 400 high school students last Friday.

Taking half a morning off his hunt for white-collar criminals and Mafia bosses, he tried to catch their imaginations with a passionate message about ethics and individuals' responsibilities to society.

At first, the buster of Boesky, Levine, Siegel and younger felons gave a disquieting impression as he sat pale and impassive waiting to speak. Even if he was half asleep, which looked likely given the early hour, his deepset, dark eyes still gave an air of inquisition to his scan of the audience.

In front of him sat future business leaders who were already preparing for their careers with high school courses in finance and summer jobs on Wall Street. Their programme is run by the Academy of Finance, sponsored by financial service companies and founded five years ago by Mr Sandford Weill, then president of American Express.

A few confessions from Mr Weill warmed up the students and brought a smile to the US Attorney. Mr Weill admitted his honeymoon cheques had bounced, so ignorant was he of the banking system. But starting as a Wall Street clerk in the 1950s he went on to lead the reshaping of the financial service industry in the 1980s. "Don't expect to be an overnight success," he counselled. "Don't expect to jump the whole flight of steps at once."

Mr Giuliani picked up on the dangers of vaulting ambition. Why had so many people succumbed to insider trading in the first few years of their careers, fresh out of the most prestigious business and law schools? What failure in their values had laid them open to seduction by money, power and magazine covers "touting them as the greatest minds on Wall Street?"

"If we can't educate people in our best institutions ... we must be doing something wrong." He believes the US has gone through a period of "valueless education" in which ethics, because they had been seen as religious values, had been stripped out of teaching.

But ethics, as an expression of society's values, can be taught in schools just as other complex subjects such as history and mathematics are – and the younger the students the better. Yet, formal education has limited power. The most formative influences on young people are their families, communities and religious groups. Until these elements of society regain their effectiveness, the problems will persist.

"The ethics of the market place reflect the ethics of society," he said. "A significant number of people do not voluntarily respect the rule of law and have put themselves above the rights and interests of other people."

His direct and no-nonsense appeal struck a response in the high schoolers, judging by the questions they asked and the way they mobbed him afterwards. One diffident, lanky teenager said to him: "You know ... like, this stuff with the Mafia ... I kind'a wanted to say, you know, that's great ... what you did to them guys" as he reached out impulsively to shake Mr Giuliani's hand.

Some New Yorkers say the US Attorney tirelessly pursues criminals just for media coverage which will boost his chances of winning elected office.

Mr Giuliani told the students he will follow the same route but has not decided when. In the meantime, "I enjoy what I do very much."

It looked as though he would have shot the breeze with the students all morning if his minder, looking like Kojak's twin, had not pried him loose. As Mr Giuliani headed for the exit, a giggling girl confided in her friend that she could never wash her hand again because she had just shaken Mr Giuliani's.

Moving on for a day of workshops on other star-studded subjects such as investment banking, the students left the auditorium, housed in an insurance company, and crossed the street to Baruch College. That in itself could have enlightened the students about how people and times change.

Mr Bernard Baruch headed the War Industries Board during the First World War and was a leading sage of President Franklyn Roosevelt's New Deal. But earlier, he had made his fortune in some notorious market coups.

Tipped off, for example, by a New York Times reporter that a naval victory had ended the Spanish-American War, he bought heavily before Washington announced peace. Later, he declared proudly to Congress: "I am a speculator."

FINANCE MINISTERS EXPECTED TO ENDORSE PARIS ACCORD ON DOLLAR'S VALUE

Growth targets may strain G5

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

FINANCE ministers of leading industrial nations are expected this week to endorse their Paris accord on currency stabilisation to prevent a slide in the value of the dollar and to seek a further period of stability on foreign exchange markets.

Their meetings at the International Monetary Fund (IMF) and World Bank in Washington are, however, likely to be marked by strains between key governments over how to promote faster growth in the world economy.

Japan und West Germany, which agreed at the Paris meeting in February to seek to stimulate their economies in return for the US commitment to stabilise the dollar, will face pressure from the US for additional expansionary measures.

The recent trade disputes between Japan and both the US and Europe will put the Tokyo Government under particular pressure. It has so far failed to push through the fiscal and tax reform measures which it promised in February because of opposition in the Japanese Parliament.

The US Administration believes that the latest forecasts from the IMF, showing world economic growth at only a little more than 2 per cent this year, underline the need for a much stronger performance outside the US.

In meetings of senior officials ahead of this week's talks, the US has been pressing its case for a more formalised system of IMF indicators of economic performance to provide the framework of international co-operation.

The indicators, which have been under discussion for the past year, cover such economic variables as output, inflation, trade and current account balances, and interest and exchange rates.

The idea is backed by Mr Edouard Balladur, the French Finance Minister, who believes that considerable progress has been made in defining how indicators could be used to ensure more consistent economic policies in the major economies.

Both West Germany and Britain, however, appear hostile to a more formalised system. The Bonn Government insists that it has fulfilled its obligations under the Paris agreement by increasing the size of the tax cuts planned for next January.

Ministers of the Group of Seven – the US, Japan, West Germany, France, Britain, Italy and Canada – will meet on Wednesday ahead of the formal meeting of the IMF's Interim Committee the following day.

The Group of Five, which excludes Italy and Canada, is also scheduled to meet, but, because of the diplomatic sensitivities of the Italian Government, its members are attempting to present their talks as low-key and informal.

The international debt problem will be high on the agenda following Brazil's decision in February to impose a moratorium on the bulk of its debt interest payments.

Italy to extend privatisation with sale of stake in BCI

BY ALAN FRIEDMAN IN MILAN

A PLAN to privatise Banca Commerciale Italiana (BCI), the Milan-based banking group which is Italy's second-largest, has been proposed by the bank to IRI, the state holding group which is its majority shareholder with 57 per cent control.

The plan would represent an unprecedented privatisation in Italy's predominantly state-controlled banking system because it would be the first time the Government would give up majority control of one of the country's biggest banks. The BCI plan envisages the sale of up to 17 per cent of the bank's equity, which would raise around L555bn ($427m) at current market prices.

The bank has already been partly privatised in recent years, having had 43 per cent of its shares offered to investors in Italy and by means of a placing in London.

A privatisation which reduced the state's shareholding in BCI below the 50 per cent level would have the important side-effect of privatising Mediobanca, the merchant bank which is 20 per cent owned by BCI. At present the three banks controlled by IRI (BCI, Credito Italiano and Banco di Roma) together control 56 per cent of Mediobanca, the Milan institution which for two years has been at the centre of controversy and squabbles between minority private sector shareholders and the state.

Following a BCI privatisation, the state shareholding in Mediobanca would be 36 per cent.

Mr Enrico Braggiotti, the 64-year-old veteran banker who recently took over as chief executive at BCI, indicated in an interview that he was optimistic about prospects for the privatisation plan, which he described as "a suggestion" to IRI. Mr Braggiotti said he could see IRI's shareholding in BCI dropping to 40 per cent. IRI would still retain control "for a limited number of years" by being given golden shares.

For the BCI privatisation plan to advance it would require the approval of both IRI and the Government.

Mr Braggiotti, speaking in Milan at the weekend, also disclosed that Assicurazioni Generali, Italy's biggest insurance group, had joined both BCI and Paribas of France as a founder-shareholder of the new BCI-Paribas merchant bank which is being launched with L150bn of initial capital.

"We expect soon to have another foreign partner in the merchant bank, which will operate at the European level in all areas from mergers and acquisitions to trading activities," the BCI chief executive explained, declining to identify the new foreign bank partner.

Key aide to Thatcher rules out May poll

By Peter Riddell and Michael Cassell in London

A MAY 7 British general election was yesterday ruled out by Lord Whitelaw, the leader of the House of Lords and one of Prime Minister Mrs Margaret Thatcher's closest advisers, following further evidence of a large Tory lead in the opinion polls. But he left open the choice between June and the early autumn.

Lord Whitelaw said he would be "very surprised if it is May 7" and made clear that it would be wrong to hold an election abnormally early, or on the basis of one favourable opinion poll and a single issue such as Mrs Thatcher's successful visit to Moscow.

Expectations of an early May poll rose at the weekend following a Mori public opinion poll in the Sunday Times giving the Conservatives 41 per cent support, which would indicate a majority of 82 in the next parliament. Labour and the Alliance tied in second place on 29 per cent.

Mr Neil Kinnock, the Labour Party leader who is confronting his party's worst potential crisis since he became leader in 1983, yesterday dismissed the present polls as temporary. He pledged to win on practical, costed policies which were in tune with the public's priorities and which contrasted harshly with those of the Government.

Mr Kinnock denied suggestions that Labour was about to abandon some of its more controversial policies. He said it was determined to fight back by focusing on its plans for job creation and for improvements in pensions, education and the public services.

Lord Whitelaw's comments reflect the views of other senior ministers and Mrs Thatcher's own repeated caution on timing. The issue is likely to be discussed this morning when the election strategy committee meets.

Lord Whitelaw said that "after 4½ years, or even after 4 years, it is a perfectly reasonable time to go. October would be a normal time. June a little earlier than normal."

Noting how he became converted in 1983 from October to June, Lord Whitelaw said, "I'm keeping my options open. I may very easily become a June man if all the options seem to be right."

Lord Whitelaw said he wanted to see a series of polls over a period, as well as an analysis of the result of the May 7 local elections, as happened in 1983, before having sufficient information to offer advice to the Prime Minister. He also wanted a longer public response to the March 17 budget and to the implications of Mrs Thatcher's visit to Moscow.

Ministers are surprised by the firm prediction of a May 7 election made over the weekend by Dr David Owen, the Social Democratic Party (SDP) leader. They suspect he is trying to argue that the Government is reluctant to hold an election in face of the SDP-Liberal advance and is dithering.

Dr Owen last night appeared to rein back from his prediction last week of a May 7 election. He said: "Perhaps I will not win on this one, but I will not regret saying it because I know the Tories are gearing up. I had to alert my people."

Conservative Central Office is prepared for an election at any time.

To add to Labour's problems, a Marplan public opinion poll conducted for the Sunday Express showed the party was trailing third in 50 key constituencies which it must win in order to stand any chance of forming the next government.

Mr Kinnock responded by saying: "No miracles are promised at all. our policies may not have the gloss of novelty, but they certainly have the thrust of practicality."

Bouygues-led consortium beats Hachette to win control of TF-1

BY PAUL BETTS IN PARIS

BOUYGUES, the big French construction group, has won control of France's leading national television network TF-1 beating the Hachette publishing group which had long been regarded as the favourite in the battle for the television channel.

Bouygues and its partners including among them Mr Robert Maxwell, a leading figure in the UK media industry, major French banks and several French publishing groups will pay FFr 3bn ($500m) for 50 per cent control of the state network to be privatised this month. The Government will sell 40 per cent of the remaining shares to the public, and 10 per cent will be offered to employees of the network.

The victory of Mr Francis Bouygues, the self-made French construction magnate who will become chairman of TF-1, came as a surprise. For the past months, Hachette, the country's leading publishing group, was regarded as the frontrunner to take over control of TF-1 as well as the favourite of Mr Jacques Chirac, the conservative Prime Minister.

But during the past few weeks, Bouygues mounted a major lobbying campaign arguing that it was financially the stronger of the two groups and could provide better guarantees for the future development of the channel.

Moreover, Bouygues had also filed a formal complaint with the recently set-up French communications commission (CNCL) against the Hachette bid arguing that Hachette had breached the regulations and its bid should be disqualified. Bouygues had threatened to appeal to the French Council of State if its bid had been unsuccessful.

Both groups argued their cases before the commission at public hearings last Friday in which Bouygues appeared to have had the upper hand. The 13 so-called sages of the CNCL voted on Saturday in favour of Mr Bouygues, whose group is understood to have won 8 votes with four going to the rival Hachette group and one abstention.

Mr Jean-Luc Lagardère, the chairman of Hachette and also head of the state-controlled Matra electronic and defence conglomerate, said yesterday he was disappointed but would not appeal the decision. However, he questioned the choice of the commission suggesting that French publishing and broadcasting interests appeared to have again been put to one side by allowing a major international media group such as Mr Maxwell's to gain a significant foothold in the French market.

The commission had shown some concern over the possible anti-trust implications of granting the channel to Hachette which, apart from being the country's biggest publishing group, also controls the Europe-1 radio station. But Mr Largardère argued that the Maxwell group was in fact much larger than Hachette which needed to build up its critical size in the media business to compete internationally.

Combustion boost to car makers

Continued from Page 1

that had grown up between them had made it appear possible that AE would be cut off from further involvement with the project.

AE Developments, acknowledged as one of the world leaders in combustion technology, was engaged by Sonex only to develop the system to meet the EEC standards and had no marketing agreement from which it could benefit, assuming the system were adopted by vehicle makers. The patents are held by Sonex.

Sonex, much smaller than AE and of limited financial resources, had become concerned about the length of development time and its access to progress reports.

An AE spokesman said, however, that, while Sonex's impatience was understandable, the test-and-conclusions process had to be rigorous.

At the end of March Sonex, in a letter to shareholders, said it was holding talks with a number of parties on further development contracts. These included European rivals to AE although this was not stated in the letter.

AE officials last week refused to discuss the issue. But a meeting of senior AE executives is understood also to have taken place at the end of last month, at which the project was reviewed and the ground work laid for the agreement just signed. Both sides insist now that relations are good.

Under the new agreement, signed in the past few days, AE has been given responsibility for marketing the technology to vehicle-makers as well as completing the development programme. A framework for the future conduct of the relationship is also defined.

World Weather

		°C	°F
Ajaccio	F	16	61
Algiers	F	25	77
Amsterdam	S	11	52
Athens	S	19	66
Bahrain	F	23	73
Bangkok	S	34	93
Barcelona	F	16	61
Beirut	S	20	68
Belfast	R	6	43
Belgrade	S	21	70
Berlin	R	7	45
Biarritz	S	19	66
Bombay	S	33	91
Bordeaux	S	17	63
Brussels	S	14	57
Budapest	F	16	61
B. Aires	—	—	—
Cairo	F	22	72
Cape Town	C	24	75
Caracas	C	29	84
Casablanca	F	19	66
Chicago	C	5	41
Cologne	F	13	55
Copenhagen	C	5	41
Corfu	S	21	70
Dallas	C	9	48
Dublin	R	6	43
Dubrovnik	F	15	59
Edinburgh	R	5	41
Faro	C	16	61
Florence	F	19	66
Frankfurt	S	13	55
Funchal	C	18	64
Geneva	C	8	46
Gibraltar	C	19	66
Glasgow	R	6	43
Guernsey	F	9	48
Helsinki	S	7	45
H. Kong	R	20	68
Innsbruck	S	14	57
Inverness	C	6	43
Islamabad	C	30	86
Istanbul	S	14	57
Jakarta	R	32	90
Jersey	F	10	50
Jo'burg	S	27	81
Lima	S	26	79
Lisbon	F	17	63
London	F	12	54
Los Angeles	F	12	54
Luxembourg	—	—	—
Madrid	F	12	54
Majorca	F	19	66
Malaga	C	15	59
Malta	F	17	63
Manchester	R	6	43
Manila	S	35	95
Melbourne	S	30	86
Mexico City	—	—	—
Miami	F	10	50
Milan	C	13	55
Montreal	C	6	43
Moscow	S	9	48
Munich	S	14	57
Nairobi	F	32	90
Naples	S	22	72
Nassau	C	25	77
New Delhi	S	32	90
New York	F	7	45
Nice	C	14	57
Nicosia	S	18	64
Oporto	S	17	63
Oslo	S	8	46
Paris	S	13	55
Peking	S	22	72
Prague	F	15	59
Reykjavik	C	4	39
Rhodes	S	19	66
Rio de J'o	R	25	77
Rome	S	18	64
Salzburg	S	14	57
San Francisco	F	10	50
Seoul	S	24	75
Singapore	F	28	82
Stockholm	S	8	46
Strasbourg	F	14	57
Sydney	F	25	77
Taipei	S	23	73
Tangier	C	19	66
Tel Aviv	S	18	64
Tenerife	S	13	55
Tokyo	S	20	68
Toronto	Sn	8	46
Tunis	S	22	72
Valencia	F	19	66
Venice	S	13	55
Vienna	F	15	59
Warsaw	C	10	50
Washington	R	2	36
Zurich	S	13	55

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Gorbachev postpones visit

Continued from Page 1

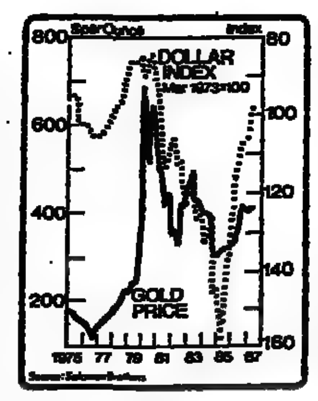
insisted that Mr Gorbachev should speak in a hall in Prague to a selected audience while the Soviet leader had wanted to speak at an outdoor rally.

Some diplomats, however, said that the intense preparation for the Gorbachev trip, including the visit to Prague by several top Kremlin officials in the last two months, made it unlikely that differences between Moscow and Prague lay behind the delay.

The last-minute postponement clearly took Czechoslovak officials by surprise. Thousands of Prague citizens had been mobilised to welcome the Soviet leader this morning.

Of Sunflowers and samurai

A single, admittedly celebrated, painting changes hands for more than £20m. In the same week, a very mixed collection of jewels and memorabilia fetches £31m, some six times the auctioneers' estimate. Among other absurdities, an ordinary and intrinsically valueless photograph frame brings in over £250,000. Maybe these caprices are merely bubbles on a fountain of fun-money. They could also be advance warning of a new inflation, as international wealth attempts to distance itself, a little, from financial assets. Each of these throw-away explanations has some attractions.



Although the dollar has lost about three eighths of its trade-weighted value in just over two years, the potential consequences for US inflation have scarcely begun to show through while the recycling of trade-deficit dollars into the US bond and equity markets has facilitated a sustained bull market. With the Dow finishing on Friday at a new peak, following the first increases in US prime rates for the best part of three years, the dollar financial markets are more than usually ambiguous.

Investors have plenty of marginal financial assets to liquidate, and some inducement – in the sabre-rattling phase of trade diplomacy – to spread their risks by doing so. The tide would perhaps have changed before now if it were not that the surplus countries, Japan above all, had such a vested interest in maintaining the price of US financial assets and, indeed, the dollar. The loyalty of Japanese investment institutions to the US Treasury market has been strained, of late, but has yet to snap under the strain of dismal total returns.

Eventually it may do so as trade warfare is prosecuted by other means. But unless that point is reached, quite possibly precipitating a long-suppressed US inflation and driving up Treasury yields to levels not seen since the Carter years, recent excesses in the auction rooms will look less like a stampede for safety than competing demonstrations of economic power. For there is a most powerful argument against the inflation-hedge theory, in the shape of a non-barking watchdog: though gold has been a slightly less comatose market of late, its relative unresponsiveness to the collapse of the dollar shows that people are not yet persuaded they should transmute much of their wealth into non-yielding forms.

Such a distortion need not, of course, be any greater than one that is so often built into accounts by picking the year-end to coincide with the low point in a company's annual stock cycle. But the possibility should cast some suspicion upon the natural assumption that average rates are necessarily truer to life. As with the movement between successively unrepresentative balance sheets, misleading translations should not escape an attentive reader. It may be noted that there is little pressure for the introduction of "average-stock" balance sheets.

Nor are average rate accounts necessarily more shareholder-friendly although that is claimed as an advantage. If management accounts are based on end-period rates, it may just obscure the record to construct statutory accounts on an averaging basis. And for central managements to work through the year in terms of an average rate that will not be fully determined until the end of the period is, some argue, merely adding fuzziness without dispelling the uncertainty that is already inherent in end-period translation.

The die-hard objection, applying even to the more sophisticated versions of profit-and-loss account averaging, has moreover remained unchallenged since the dawn of average rate translation, namely that the funds-flow statement and balance sheet cannot satisfactorily be put on the average basis. And however artificial the end-period convention, a set of accounts where these three components do not fit together is a sorry affair.

If it is obvious why some finance directors may prefer averaging – particularly if they are thinking of going for a US listing and hence producing US Gaap accounts – it is less plain why there should be any form of UK shareholder pressure in favour of the practice. Once given the opening and closing rates, and the relevant disclosure of profits arising in different currencies, analysts are perfectly capable of working out what is due to currency, and what to the underlying state of the business. If the information is predigested, they may actually be less well-placed to tell the difference.

Translation

It is not difficult to understand why a sizable minority of finance directors have been moving towards average rate methods of accounting for currency fluctuation. Sudden jumps look bad, in the accounts, while smooth progressions look good; most of the time, average rate accounting can be relied on to smooth out those awkward bumps. Moreover, translation at the average rate over a year tends to be regarded as more indicative of trading realities than profits that are struck at a single closing rate – which may indeed bear a quite arbitrary relationship to the rates at which business was done during the preceding months.

It is possible, however, to imagine a pattern of currency movements which made a mockery of this common-sense picture. Suppose that the sterling/dollar rate, for example, were to display a regular mid-year peak, but always returned to the same closing value. It would not matter whether the accounts averaged opening and closing rates, or just fixed on the closing rate; in either case, the profit and loss account might present a thoroughly misleading picture of the year's trading.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday April 6 1987

Eurobond investors lose interest in dollar issues

STRAIGHT, fixed-rate Eurodollar bonds were conspicuous by their complete absence from the new issues market last week, underlining their fall from favour with Eurobond investors, writes Clare Pearson in London.

True, an environment of renewed currency turbulence, an increase in US prime rates and mounting trade friction between the US and Japan made it hardly the best week for launching dollar deals while issues were few in all sectors of the market.

Yet the omission is still remarkable, given the fact that fixed-rate dollar issues have traditionally been the staple diet of the Eurobond market while swap opportunities – hard to find recently – were becoming more plentiful last week.

It seems that new issue managers are finally taking to heart the lack of investor interest in this sector, arising partly from the long-term decline in the dollar and partly from the sheer oversupply of issues during the last few years.

Figures for total new issue volume in the first quarter, published last week, showed Eurodollar bonds well down from their 1986 level. So far this year, they have accounted for 36 per cent of the market compared with 63 per cent at the end of last year.

Much of the dollar total may be accounted for by equity linked issuance, which has proved a key focus of new issue managers' attention this year. And underwriters were still finding opportunities for profitable equity linked deals last week, despite a shaky performance by several of the world's biggest stock markets.

The surge in prices on the Tokyo stock market since the beginning of this year has made equity linked deals for Japanese borrowers especially attractive to underwriters. This was one of the factors that has helped propel the Japanese securities houses up the book-runners' league table. Nomura International emerged clearly in first position at the end of the first quarter.

Last week, four convertibles for Japanese banks opened at substantial premiums to issue price, benefiting from the comparative rarity of their names in the market and enthusiasm about their profit potential.

An issue for Toyo Trust met the most enthusiastic response, trading at more than eight points above its issue price. Dealers said it was especially attractive because trust banks were the only banks allowed to manage money in Japan and therefore stood to gain directly from the country's high savings rate.

As well as the issues for banks, a deal for Keihanshin Real Estate also went down well. Nevertheless, dealers said the equity linked sector was not showing gains across the board.

This was a reflection of the heavy supply of Japanese equity linked bonds, which has made investors more selective. For instance, an issue for Ideo Izumi, a manufacturer of control equipment, failed to capture the market's imagination last week and traded at levels below its issue price.

"Now it's very much an issue-by-issue market," observed a specialist. Prices varied widely last week, but issues for borrowers operating in the domestic market were proving, broadly, much more popular than those for issuers with a bias towards exports, given the impact on corporate profits of the prolonged strengthening of the yen.

A string of larger equity linked issues is expected over the next few weeks.

New issue activity in both the Euroyen and D-Mark markets – which have seen much of the action this year, as the Eurodollar's share has fallen – was subdued last week as uncertainty dominated the secondary markets.

The few borrowers who tapped the D-Mark sector generally met fair receptions. An issue for Ireland (not a favourite borrower in this sector) traded comfortably within fees while a private placement for Oesterreichische Kontrollbank was bid as high as ¾ point below its issue price.

However, dealers had mixed feelings about a deal for East Asiatic, the Danish trading company, which they saw as tightly priced for a little known borrower.

The secondary market was held back by interest rate worries, triggered by the rise in US prime rates, and by an absence of Japanese buying, which has propelled prices of government bonds forward over the last few weeks.

However, dealers remain optimistic that international investors will continue to be drawn to the West German market in the near term, given the relatively high real interest rates that it provides.

Despite the price gains achieved in the West German government bond market a few weeks ago, real yields (nominal yields minus the inflation rate) are still well ahead of those available in other markets.

For 10-year bonds, they stand at around 5.9 per cent currently, which compares with 5.5 per cent on comparable bonds in the US Treasury market and about 5.15 per cent on comparable yen government bonds.

Meanwhile, recent data suggests continuing sluggishness in the West German economy, and forecasters have been downgrading their estimates for real growth this year to between 1 and 1½ per cent compared with the 3 per cent widely expected last autumn.

The announcement by the West German Government last week that it had downgraded the importance of its money supply target, combined with its relaxed attitude towards liquidity so far this year, added to the optimistic outlook.

● The World Bank announced last week that it would be redeeming outstanding bond issues on a selective basis. This is in line with its policy of taking advantage of interest rate declines in world capital markets over the last few years.

The first redemptions will be in the Swiss franc foreign bond market. They will be of a SFr 98m 6½ per cent issue and a SFr 100m 7¾ per cent bond. Both are due in 1991.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
US$	2,342.1	654.5	40.0	4,228.9
Prev	3,782.9	282.3	490.9	4,421.2
Other	4,657.5	434.6	136.0	314.5
Prev	3,202.2	494.7	–	251.6
Secondary Market				
US$	17,678.2	2,208.7	28,701.2	4,782.7
Prev	16,948.7	1,674.5	34,884.3	6,332.5
Other	24,574.3	802.4	3,588.6	16,335.4
Prev	29,572.9	704.1	4,987.4	11,936.9

	Cedel	Euroclear	Total
US$	13,881.7	39,667.4	53,549.1
Prev	15,298.1	53,522.3	68,852.4
Other	17,808.2	32,450.2	50,258.4
Prev	18,208.2	29,888.6	48,194.2

Week to April 2 1987 — Source: AIBD

KOREAN STOCK EXCHANGE

Recovery follows record fall in Seoul market

BY MAGGIE FORD IN SEOUL

CONFIDENCE by South Korean investors in the Seoul stock market showed a recovery at the weekend after a record fall on Friday. The fall followed a warning by the Finance Ministry that measures would be introduced to curb the boom.

The apparent underlying strength of the market is likely to be bolstered by the announcement over the weekend of government plans to restructure the ailing construction and shipping industries.

Shares in companies in these two sectors had risen last week, contributing to the market's record rise last Tuesday, when the composite stock index broke the 400 barrier for the first time. The market closed at 387 on Saturday after Friday's fall to 383.

The fall is believed to have affected trading in the Korea Eurofund on the London grey market, reducing the premium from almost 124 per cent to a little less than 100 per cent at the end of the week.

The record rise in the index early last week followed comments from the Finance Ministry to the effect that it did not believe that the market had reached a dangerous point where action was necessary.

Late in the week it was reported prominently in the Korean press that the Finance Ministry planned to force institutions to buy government bonds equal to the value of new share purchases. Securities companies would be limited to buying shares up to the value of 40 per cent of their paid up capital, according to the reports. It was not clear why the ministry had apparently changed its view.

Local interest in the South Korean stock market has flourished in the past few months following the increase in liquidity in the economy caused by the country's $4.2bn current account surplus last year.

The Finance Ministry has warned that it planned to mop up the excess liquidity by making sure that new issues were available. Only about 350 companies are presently listed on the Korea stock exchange.

Last week's rise was fuelled partly by news of a plan to float shares in Posco, the state-owned steel company, on an over the counter market which has just started operations.

But plans to privatise Posco, a majority of whose shares is owned by several heavily indebted banks, have already attracted opposition. Analysts believe that the company is concerned about interference in its management by outsiders, and by the possibility that South Korea's powerful conglomerates may gain control of the business.

A directive by the country's economic planning board stated last week that 33 business conglomerates would be banned from cross-investing in their subsidiaries and from gaining more than 40 per cent of total net assets of other companies.

The measure will affect most of South Korea's top companies, including Hyundai, Daewoo, Goldstar and Samsung. Large companies, it is believed, might find that funds raised from the sale of holdings in subsidiaries would be well spent on buying stakes in companies like Posco.

The Government has already announced plans to privatise a number of other profitable state-owned enterprises later this year.

Hopes by foreign investors for liberalisation of the South Korean market remain clouded in doubt, with officials continuing to express concern about the small number of investors in the market.

Momentum of BP's $5bn financing results in oversubscription

THE CONCLUSION last week of the $5bn financing for British Petroleum seems likely to provide a source of controversy among international bankers for some time, writes Stephen Fidler in London.

The scale of the response was, by any estimate, staggering. Sixty-four banks agreed to commit more than $15bn to the financing, making it the largest commitment of funds ever made in the Euromarkets. Only three of the invited institutions declined.

Mr James Foschetti, executive director of Morgan Guaranty, which arranged the financing, commented: "The deal started well and just gathered momentum."

That momentum gathered pace last Tuesday and Wednesday as banks, realising that the deal was going well, started to scale up commitments in the knowledge that their final amount of lending would subsequently be cut.

BP, which is using the funds to finance part of a $7.4bn tender offer for the 45 per cent of Standard Oil it does not own, will not increase the credit beyond $5bn.

It seems likely that the scaling back of the commitments may cause some controversy among the banks, particularly since it will not be done on a purely mathematical basis.

Even when the froth is taken out of the deal, it seems clear that it would have been substantially oversubscribed and there will undoubtedly be questions about whether the deal was overpriced.

BP could, no doubt, have raised the funds over four years more cheaply. A ⅛ point margin and a ⅛ point facility fee are regarded as fairly generous pricing, even though the deal carried no front-end fee, unusual in this sort of financing.

Given the speed with which the company needed the funds and the size of the deal, BP probably does not feel too unhappy that it erred on the side of caution. It is not, after all a long-term financing; the credit will be refinanced over the coming months and years. It is expected to be signed on Tuesday, just 12 days after the offer was launched.

A $200m term loan for Vneshtorgbank of the Soviet Union also closed oversubscribed last week, according to lead managers First Chicago, though the similarity with the BP deal ends there.

First Chicago is probably entitled to some credit for the completion of the deal which, by consent, was not carried out under the easiest of circumstances.

There had been complaints that the terms – the finest margins ever on a deal for the Soviet Union at ⅛ point over Libor for the first five years and ¼ point for the final three – were too tight.

Syndication was also hampered by Vneshtorgbank's decision to double to £200m the size of a sterling acceptance facility it had arranged through Lloyds, and the existence of another sizeable Soviet club deal among Italian banks.

In addition, after their heavy sovereign lending in 1986, many banks are said to be close to their exposure limits to Eastern Europe.

Nevertheless, the syndicate includes some well-known names, including Lloyds, BCI, Bank of Tokyo, Kredietbank and Security Pacific, although there are more exotic participants in the form of a number of Spanish savings banks.

First Chicago's final take was its preferred $15m, and it said there were no fee enhancements to the original deal, as had been rumoured. Signing is set for Wednesday in London.

Portugal came to the market last week with a deal marking the finest terms at which it has ever borrowed in the international markets. The first borrowing in the name of the republic for over a year, the deal divides into two parts.

It mandated Bank of Tokyo, Kredietbank and S. G. Warburg to raise a $125m equivalent multi-currency credit, and the Japanese and Belgian banks to arrange a BFr 3bn credit.

Both carry an eight-year maturity and a five-year grace period. The $125m facility carries a margin of 10 basis points for five years and 12.5 basis points for the remainder, while the Belgian franc deal carries a spread of 8.25 basis points over Belgian interbank rates.

The deal met a positive initial response. Portugal's economy is coming into increasing favour with bankers, and its prepayment of a number of financing facilities in recent months has reduced the amount of outstanding Portuguese paper with the banks.

Some bankers baulked at the terms, and others do not like the proposed use of the money, which is expected to go to the Sines port and industrial complex.

Security Pacific launched a $150m revolving underwriting facility for Puget Sound Bancorp, a bank holding company based in Tacoma, Washington. It is looking for lead managers at $20m for 10 basis points and fees range down to five basis points for a $5m commitment.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Lot of talk but little sense of direction

THE UK government bond market had a lot to react to last week, although most of the information and talk which was flying about was insubstantial, speculative or downright misleading. The gilts market seemed to end up none the wiser.

Each trading session was extremely volatile, although the overall rise in yields has been quite modest.

This patchy, rather jumpy market is a far cry from the overbearingly confident one we saw in the pre-Budget, pre-Greenwich by-election days and is getting little direction from events either at home or abroad.

Talk of a trade war between Japan and the US at the start of last week, and between Japan and Britain by the end, had tautened nerves, and provides a less-than-calm backdrop to this week's monetary meetings in Washington.

One large Japanese securities house was reported to have sold £30m of gilts last week, possibly in reaction to the British threat to withdraw licences from Japanese firms doing business in the City of London. As it later turned out, however, securities firms were not included in the scope of the possible British measures.

Despite the substantial efforts of the Bank of Japan and the US Federal Reserve the previous week, the dollar continued weak against the yen.

And then arose the confusion about what the Chancellor meant, and why he said what he did in the way he said it, at the National Economic Development Council meeting last Wednesday — which set sterling and gilts on a roller-coaster for the rest of the week.

One of the more concrete and irrefutable events of last week was Thursday's publication of official reserves figures for March. These showed the largest monthly increase in reserves for nearly 10 years and provided evidence that the upward pressure on sterling before the Budget was much stronger than most in the City had guessed.

The figures were good news for sterling, which should be solidly underpinned by the knowledge that the authorities have a good store of ammunition at their disposal, should the pound come under any kind of speculative attack.

(The rebuilt reserves should also, if the day ever comes, provide the authorities with the means to defend a more public target zone for sterling than the one which is clearly being operated now—within the European Monetary System.)

A less positive aspect of the rise in reserves is the potential influence on broad money growth and funding.

All things being equal, purchases of foreign currencies by the Bank of England in exchange for sterling inflate sterling M3. In order to offset this influence and to maintain the Government's aim of fully funding the public sector borrowing requirement, the Bank can sell more gilts.

Looking at the long-run impact of such a policy, Mr Stephen Hannah, UK economist with County NatWest, says, "With intervention possibly being sustained through the financial year—perhaps as a means of boosting currency reserves ahead of full EMS membership—this makes the funding equation look less bullish for gilts than under a free float regime."

Mr Lawsons remarks at the NEDC sparked off the most puzzling episode of last week. It is not inconceivable that his mention of $1.60 and DM 2.90 was simply meant to inform NEDC members of the current level of sterling in case they did not know.

A rate of DM 2.90 has been widely mooted several times since the Paris agreement as a possible central rate

By Friday, gilts appeared to have stopped reacting to sterling and fell despite the pound's sharp rally. Most market makers put this down to nervousness ahead of a string of opinion polls, the first since Mrs Thatcher's trip to Moscow.

The Sunday Times poll yesterday showed a substantial Conservative lead and should get the week off to a good start. A series of polls in key marginal constituencies being published this week may give a more accurate reading of the likely election result.

Politics remain of paramount importance for gilts and a return to yields below 9 per cent seems unlikely until election prospects become clearer.

Janet Bush

US MONEY AND CREDIT

Dismal week ends in euphoria

US CREDIT markets ran the gamut of emotions last week from agony to ecstasy in one of the most action packed periods in recent memory. Even those dealers and investors who lost money must have found it hard to believe Friday's euphoric market was the same one which had been so desperate on Tuesday evening.

Fears of a US trade war with Japan had knocked first the dollar and then the bond market for six at the beginning of the week. Just as bonds were stabilising on Tuesday, banks raised their prime lending rates for the first time in nearly three years.

This totally unexpected action shocked the credit markets but boosted the dollar. Yet for all the fireworks, little changed in terms of fundamentals. Investors adjusted rapidly to the falling dollar and higher prime rates, evidently deciding that there was little chance of higher inflation, tighter monetary policy or further rises in interest rates.

Some economists see a danger of higher rates but their opinions are not yet widely shared by investors

This view was cemented with Friday's release of the March employment figures, which showed a much lower rate of job creation than forecast.

The first good news of the week triggered Friday's rally which helped recoup some of the losses, leaving the pjrice of the 7.50 per cent benchmark Treasury long bond down about 4½ points and its yield up 30 basis points over six sessions. Apart from a brief blip on Thursday, it remained in its trading range of the past year in which it has generated a yield of between 7.10 per cent and 7.90 per cent.

Broadly speaking, the consensus opinion is that the economy continues to plough ahead in a low growth/low inflation rut. The Federal Reserve may "snug" interest rates a little to help the dollar but it will not make any marked change in policy by pushing up the cost of money through a higher interest rate on Fed funds — the reserves which banks lend to each other—or an increase in the discount rate.

Some technicians and economists see a danger of higher rates ahead but their opinions are not yet widely shared by investors.

Yet the roller-coaster week did lead some investors to increase their liquidity and build up positions in very short maturities so they can act quickly if the consensus changes. Thus, while long-term yields rose, three-month Treasury bills fell as much as 20 basis points. T-bills were already in short supply before central banks bought some $5bn worth to put to work the dollars they had accumulated recently propping up the US currency.

The unsolved mystery of the week was why the banks pushed up the prime. They said they had responded to an increase in their borrowing costs but when that was the case several months ago they left primes unchanged. The week they decided to act saw some sources of their money become cheaper.

Some observers suggested they took the opportunity of the weak dollar to lift their rates to boost profits a little because they were beginning to make some costly accounting changes for Third World debt. The Reagan Administration could hardly criticise them because the higher prime helped shore up the currency.

Last week's flurry capped one of the quietest quarters in a decade for the federal government bond market. But other sectors of the credit markets have been lively. The volume of new municipal bond issues, for example, rose 119.5 per cent in the quarter to $29.2bn from $13.3bn a year earlier. Most of the new issues were tax exempt but changes in tax laws prompted rapid growth of the taxable sector where new issues rose four-fold to $907m, according to figures compiled by IDD Information Service.

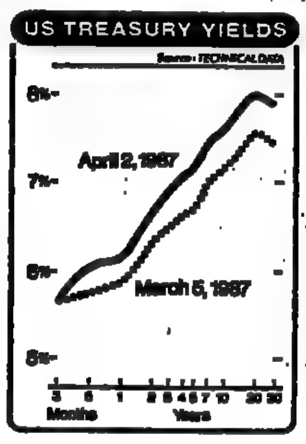
Similarly, the corporate debt market enjoyed a brisk quarter. Non-convertible new issues rose 29.4 per cent to $67.7bn from $52.3bn a year earlier spurred by the stability of interest rates which had prevailed until recent days.

Salomon Brothers pumped out a stream of mortgage-backed new issues last Tuesday, the last day of the quarter, per cent a year earlier.
to ensure it hung on to its lead as the biggest underwriter. Its lead was cut dramatically, however. It was managing underwriter of $13.3bn of debt and equity issues in the quarter for 15.1 per cent of the market, compared with $16.5bn, or 19.6

Second was First Boston ($12.6bn; 14.4 per cent; second a year earlier) third Merrill Lynch ($11.2bn; 12.7 per cent; fifth a year earlier), fourth Goldman, Sachs ($9.3bn; 10.6 per cent; third a year ago), fifth Morgan Stanley ($8.5bn; 9.6 per cent; sixth a year earlier), sixth Drexel Burnham Lambert ($7.1bn; 8.1 per cent; fourth a year ago) and seventhe Shearson Lehman Brothers ($5.9bn; 6.8 per cent; seventh a year ago).

The week ahead is a quiet one for economic statistics with March's producer price index due for release at 8.30 am on Friday the only one which will be closely watched. A rise of around 0.3 per cent in the month is expected compared with gains of 0.1 per cent and 0.6 per cent in February and January respectively.

Roderick Oram



US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	6.17	6.14	6.08	11.34	5.71
Three-month Treasury bills	5.50	5.63	5.64	6.52	5.01
Six-month Treasury bills	5.72	5.66	5.65	6.54	5.06
Three-month prime CDs	6.25	6.25	6.13	7.07	5.45
30-day Commercial Paper	6.18	6.30	6.05	7.70	5.55
90-day Commercial Paper	6.13	6.23	6.05	6.95	5.45

US BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	98¾	−1	7.35	7.18	7.06
20-year Treasury	113¼	−2	7.96	7.77	7.72
30-year Treasury	95⅞	−2⅞	7.87	7.65	7.58
New 10-year "A" Financial	N/A	N/A	8.30	8.15	8.00
New "AA" Long utility	N/A	N/A	8.90	8.80	8.55
New "AA" Long industrial	N/A	N/A	8.90	8.65	8.60

Source: Salomon Bros (estimates).
Money Supply: In the week ended March 23 M1 rose by $1bn to $761bn.

NRI TOKYO BOND INDEX

December 1983 = 100	2/4/87	Performance index: Average yield (%)	Last week	12 wks ago	25 wks ago
Overall	139.54	4.06	138.05	132.50	128.92
Government Bonds	140.32	3.83	139.51	133.36	129.52
Municipal Bonds	138.76	4.62	138.44	132.83	128.54
Government-guaranteed Bonds	139.67	4.66	139.47	133.98	129.02
Bank Debentures	133.03	3.79	132.81	128.87	126.36
Corporate Bonds	135.45	5.13	136.36	131.06	127.78
Yen-denominated Foreign Bonds	137.47	6.16	137.15	133.38	129.98
Government 10-year†	4.62	—	4.83	5.31	5.56

† Estimated par yield.

Source: Nomura Research Institute.

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid price	Chg. on week	Yield
ABN Bank 8½ 91	150	102⅝	−0⅜	7.68
Aetna Life & Cas 7⅝ 16	200	98⅞	−1⅛	7.89
AHFC O/S Fin 11¾ 94	100	102⅞	−0⅜	11.12
AIDC 11 89	75	105⅜	−0⅜	7.72
Alcoa Australia 11 92	50	105⅝	0	9.42
American Expa 12⅞ 89	150	107⅞	−0⅜	7.34
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STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.

WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yid=exercise yield at current warrant price.

Closing prices on April 3.

All of these securities having been sold, this advertisement appears as a matter of record only.

CONRAIL

58,750,000 Shares

Consolidated Rail Corporation

Common Stock

(par value $1.00 per share)

The shares are being sold by the United States Government pursuant to the Conrail Privatization Act. The Company will not receive any proceeds from the sale of the shares.

52,000,000 Shares

This portion of the offering is being offered in the United States and Canada by the undersigned.

Goldman, Sachs & Co.

The First Boston Corporation

Merrill Lynch Capital Markets

Morgan Stanley & Co. Incorporated

Salomon Brothers Inc

Shearson Lehman Brothers Inc.

Alex. Brown & Sons Incorporated
Dillon, Read & Co. Inc.
Donaldson, Lufkin & Jenrette Securities Corporation
Drexel Burnham Lambert Incorporated
Hambrecht & Quist Incorporated
E. F. Hutton & Company Inc.
Kidder, Peabody & Co. Incorporated
Lazard Frères & Co.
Montgomery Securities
Prudential-Bache Capital Funding
Robertson, Colman & Stephens
L. F. Rothschild, Unterberg, Towbin, Inc.
Smith Barney, Harris Upham & Co. Incorporated
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William Blair & Company
J. C. Bradford & Co. Incorporated
Dain Bosworth Incorporated
A. G. Edwards & Sons, Inc.
McDonald & Company Securities, Inc.
Oppenheimer & Co., Inc.
Piper, Jaffray & Hopwood Incorporated
Prescott, Ball & Turben, Inc.
Thomson McKinnon Securities Inc.
Wheat, First Securities, Inc.
Advest, Inc.
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Sanford C. Bernstein & Co., Inc.
Blunt Ellis & Loewi Incorporated
Boettcher & Company, Inc.
Burns Fry and Timmins Inc.
Butcher & Singer Inc.
Cowen & Company
Dominion Securities Corporation
Eberstadt Fleming Inc.
Eppler, Guerin & Turner, Inc.
First of Michigan Corporation
First Southwest Company
Furman Selz Mager Dietz & Birney Incorporated
Gruntal & Co., Incorporated
Howard, Weil, Labouisse, Friedrichs Incorporated
Interstate Securities Corporation
Janney Montgomery Scott Inc.
Johnson, Lane, Space, Smith & Co., Inc.
Johnston, Lemon & Co. Incorporated
Josephthal & Co. Incorporated
Ladenburg, Thalmann & Co. Inc.
Cyrus J. Lawrence Incorporated
Legg Mason Wood Walker Incorporated
Morgan Keegan & Company, Inc.
Moseley Securities Corporation
Needham & Company, Inc.
Neuberger & Berman
The Ohio Company
Rauscher Pierce Refsnes, Inc.
The Robinson-Humphrey Company, Inc.
Rothschild Inc.
Stephens Inc.
Stifel, Nicolaus & Company Incorporated
Sutro & Co. Incorporated
Tucker, Anthony & R. L. Day, Inc.
Underwood, Neuhaus & Co. Incorporated
Wood Gundy Corp.
Adams, Harkness & Hill, Inc.
Anderson & Strudwick Incorporated
Baker, Watts & Co.
Barclay Investments, Inc.
George K. Baum & Company
Birr, Wilson Securities, Inc.
Blackstock, McMahon & Landstreet, Inc.
Branch, Cabell and Company
Brean Murray, Foster Securities Inc.
Cable, Howse & Ragen
Carolina Securities Corporation
Robert C. Carr & Co., Inc.
JW Charles-Bush Securities, Inc.
The Chicago Corporation
B. C. Christopher Securities Co.
Craigie Incorporated
Crowell, Weedon & Co.
Cunningham, Schmertz & Co., Inc.
D. A. Davidson & Co. Incorporated
R. G. Dickinson & Co.
Doft & Co., Inc.
Dominick & Dominick, Incorporated
Ewing Capital, Inc.
Fahnestock & Co. Inc.
Ferris & Company Incorporated
Financial America Securities, Inc.
First Albany Corporation
First Equity Corporation of Florida
First Manhattan Co.
Folger Nolan Fleming Douglas Incorporated
Gabelli & Company, Inc.
Gradison & Company Incorporated
Grigsby, Brandford & Co., Inc.
Hanifen, Imhoff Inc.
Hayes & Griffith, Inc.
J. J. B. Hilliard, W. L. Lyons, Inc.
Howe, Barnes & Johnson, Inc.
The Illinois Company Incorporated
Investment Corporation of Virginia
Jesup & Lamont Securities Co., Inc.
Edward D. Jones & Co.
Keane Securities Co., Inc.
Laidlaw Adams & Peck Inc.
Mabon, Nugent & Co.
The Milwaukee Company
Moore & Schley Securities Corporation
Newhard, Cook & Co. Incorporated
Pacific Securities, Inc.
Parker/Hunter Incorporated
Raymond James & Associates, Inc.
Richardson Greenshields Securities Inc.
Roney & Co.
R. Rowland & Co. Incorporated
Scott & Stringfellow, Inc.
Seidler Amdec Securities Inc.
Sloate, Weisman, Murray & Company, Inc.
Smith, Moore & Co.
Southwest Securities, Inc.
R.C. Stamm and Company
Starr Securities, Inc.
Sterne, Agee & Leach, Inc.
Swergold, Chefitz & Sinsabaugh, Inc.
Van Kasper & Company
Edward A. Viner & Co., Inc.
Wedbush Securities, Inc.
Woolcott & Co. Inc.
Metro Equities Corporation
Montano Securities Corp.
Perry Investments Inc.
Southwestern Capital Markets, Inc.

This special bracket of minority-owned and controlled firms assisted the Co-Lead Managers in the United States Offering pursuant to the Conrail Privatization Act:

AIBC Investment Services Corporation
Daniels & Bell, Inc.
Doley Securities, Inc.
WR Lazard Securities Corporation
Pryor, Govan, Counts & Co., Inc.
Muriel Siebert & Co., Inc.

6,750,000 Shares

This portion of the offering is being offered outside the United States and Canada by the undersigned.

Goldman Sachs International Corp.

First Boston International Limited

Merrill Lynch Capital Markets

Morgan Stanley International

Salomon Brothers International Limited

Shearson Lehman Brothers International

Algemene Bank Nederland N.V.
Banque Bruxelles Lambert S.A.
Banque Nationale de Paris
Cazenove & Co.
The Nikko Securities Co., (Europe) Ltd.
Nomura International Limited
N. M. Rothschild & Sons Limited
J. Henry Schroder Wagg & Co. Limited
Société Générale
S. G. Warburg Securities
Arab Banking Corporation (ABC) Capital Markets Group
Banque Paribas Capital Markets Limited
Caisse Nationale de Crédit Agricole
Compagnie de Banque et d'Investissements, CBI
Crédit Lyonnais
Daiwa Europe Limited
IMI Capital Markets (UK) Ltd.
Joh. Berenberg, Gossler & Co.
Leu Securities Limited
Morgan Grenfell & Co. Limited
Peterbroeck, van Campenhout & Cie SCS
Swiss Volksbank
Vereins- und Westbank Aktiengesellschaft
J. Vontobel & Co Ltd
M. M. Warburg-Brinckmann, Wirtz & Co.
Westdeutsche Landesbank Girozentrale
Yamaichi International (Europe) Limited

April, 1987

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Paul Betts in Paris on the telecom group's restructuring of acquired ITT assets

CGE awaits a Spanish guarantee

COMPAGNIE Générale d'Electricité (CGE), the French nationalised telecommunications and engineering group, is awaiting written confirmation of the Spanish Government's commitment to back financially the restructuring of Standard Electrica (Sesa), the loss-making Spanish telecommunications group under CGE control.

The French group is also completing a restructuring of its US telecommunications businesses, including the former telecommunications assets of ITT, which are expected to return in the black this year after heavy losses, according to Mr Pierre Suard, CGE's chairman.

CGE took control this year of ITT's worldwide telecommunications assets, including the troubled Spanish and US operations, following the landmark deal with the US corporation to set up a new joint telecommunications group called Alcatel NV. This merges CGE's and ITT's telecommunications assets and is 55.6 per cent controlled by the French company.

Although the Spanish Government indicated last week that it had verbally agreed to back the restructuring of Sesa, Mr Suard said the French group was insisting on a written commitment from Madrid. He also reiterated the French group's threat of considering a withdrawal from Spain if it did not secure support from Madrid.

However, CGE appears optimistic of securing a written commitment from the Spanish Government in a few days. Such an agreement would represent a significant boost for CGE as it prepares, for its privatisation, due early next month.

The loss-making Spanish operations of ITT have always been considered one of the three most risky elements for CGE in the telecommunications venture with ITT. The two other aspects which have caused concern include the former ITT assets in the US and the future prospects of System 12, the digital public telephone switching system developed by the US company.

Mr Suard said that the US problem was now being resolved following a restructuring of CGE's and ITT's American telecommunications assets into two new companies, yet to be named.

The first company will regroup ITT and CGE's telecommunications network systems businesses, including the Celwave cable subsidiary, the Lynch transmission equipment concern, ITT's former transmission operations in North Carolina and its US optical fibre business. However, ITT's former research centre at Shelton in Connecticut has been closed down.

This new network systems company – code named company A – will be headed by Mr John Gailey, the president of Celwave. With annual sales of about $450m, this company is expected to be profitable this year.

The second new US company – code-named company B – will regroup the Alcatel and ITT private PABX telephone exchange businesses as well as the ITT Qume and Courier office equipment and data processing subsidiaries and Alcatel's Friden subsidiary. These businesses last year lost about $40m after losing about $100m the year before. Mr Suard said this company, to be headed by Mr Tracy Atherton, a former ITT executive, was expected to cut losses significantly, with the concern expected almost to break-even this year.

On the Spanish operations, Mr Suard said CGE was seeking to reduce the workforce of the two former ITT subsidiaries Sesa and Mesa by about 6,000 people out of a total of about 16,000 over the next three years. Sesa currently employs 14,500 while Mesa, which is threatened with liquidation, employs 1,500 people. However, the precise number of layoffs would depend on the amount of guaranteed Spanish telecommunications orders for Sesa over the next four years.

CGE is seeking written commitments from Madrid to support the labour restructuring programme with financial aid and firm guarantees for a sufficient level of new orders for Sesa to sustain its recovery.

The Spanish operations lost between $50m and $60m last year on sales of about $470m. CGE is also seeking eventual buyers for the smaller Mesa subsidiary. Ericsson, Siemens and AT&T have all shown interest in the company.

Reports from Madrid confirm that the Spanish Government is willing to back the Sesa restructuring programme as well as guarantee orders for the company of between Pta 30–32bn over the next four years.

Sesa, in which the Spanish state telecommunications group Telefonica owns a 25 per cent minority stake.

As part of the restructuring CGE also plans a capital increase for Sesa.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
Keihan Elec. Express ¶‡	150	1992	5	2	100	Yamaichi Int. (Eur)	2.000
Chiyoda Fire & Marine ¶‡	70	1992	5	2	100	Daiwa Europe	2.000
Kanzaki-Osaka-P. ¶	100	1994	7	(4⅛–4⅝)	100	Morgan Stanley	*
Idec Izumi Corp. ¶	35	1992	5	(2⅞)	100	Daiwa Europe	*
Onebecor §‡	60	1997	10	6	100	Merrill Lynch	6.000
Bank of Tokyo §	100	2002	15	(2)	100	Bank of Tokyo Int.	*
Lucas Industries Inc. §‡	83	2002	15	5¼	100	J. H. Schroder Wagg	5.250
Keihanshin Real Est. ¶	25	1992	5	(2¼)	100	Daiwa Europe	*
Tokyo Optical Co. ¶	40	1992	5	(2¼)	100	Daiwa Europe	*
Hokkaido T'shoku Bank §	100	2002	15	(2)	100	Yamaichi Int. (Eur)	*
Toyo Trust & Banking §	100	2002	15	(2)	100	Toyo Trust Int.	*
Keppel Corp. §‡	75	1997	10	4	100	M. Grenfell/Daiwa S'pore	4.000
CANADIAN DOLLARS							
Mc Donalds Corp. ‡	75	1992	5	8½	101⅝	Morgan Guaranty	8.082
Hertz Realty Corp. ‡	75	1993	6	9	100⅝	Chase Inv. Bank	8.834
AUSTRALIAN DOLLARS							
Bell Group §‡	175	1997	10	10	100	Banque Paribas	10.000
Ned. Middenstandsbank ‡	50	1990	3	14½	101½	SBCI	13.865
GMAC (A'tralia) Fin. ‡	50	1991	4	14¾	101	Hambros Bank	13.987
BHF-Bank Finance ‡	30	1992	5	14¼	101¼	BHF-Bank	13.887
Zacob Finance ‡	50	1990	3	14⅝	101⅞	Goldman Sachs	14.156
D-MARKS							
Oest. Kontrollbank **‡	150	1992	5	5½	100¼	Deutsche Girozentrale	5.442
East Asiatic ‡	150	1992	5	5½	100¼	Commerzbank	5.442
Ireland ‡	300	1997	10	6½	100½	Commerzbank	6.431
SWISS FRANCS							
Nippon Signal **¶‡	50	1992	–	1¼	100	Morgan Stanley	1.250
Tamura Corp. **‡	70	1992	–	4¾	100	SBC	4.750
Bank of Tokyo **§	100	1992	–	(1⅛)	*	SBC	*
Hokkaido T'shoku Bank **§	100	1992	–	(1⅛)	100	SBC	*
Nitto Boseki Co. ‡	80	1995	–	4⅞	100¼	UBS	4.837
FRENCH FRANCS							
Gillette Canada ‡	500	1992	5	9	101⅝	Banque Paribas	8.587
LUXEMBOURG FRANCS							
Credit Lyonnais **‡	300	1994	7	7⅜	100	BGL	7.375
STERLING							
Smith & Nephew Ass. §‡	90	2002	15	4	100	CSFB	4.000
GUILDERS							
EIB	300	1995	8	6¼	(100)	Amro Bank	*
DANISH KRONER							
EIB ‡	300	1994	7	11	101	Den Danske Bank	10.780
YEN							
CNT ‡	20bn	1992	5	4⅝	101½	IBJ Int.	4.538
Rural Bk & Fin. Corp. NZ ‡	10bn	1992	5	9	81.22	Nomura Int.	4.243
BFCE ‡	17bn	1992	5	4⅝	102⅝	Nippon Credit Int.	3.844

* Not yet priced. ‡ Final terms. ** Private placement. † Floating rate notes. ¶ With equity warrants. Ø With bond warrants. § Convertible. Note: Yields are calculated on AIBD basis.

Shearson and Tan Sri Khoo end agreement

By Our Financial Staff

SHEARSON LEHMAN Brothers, the Wall Street investment bank, has ceased to act as financial adviser to Tan Sri Khoo Teck Puat, the overseas Malaysian financier who is seriously at odds with the Government of Brunei.

In a brief statement released in Singapore over the weekend, Shearson said that the firm and Tan Sri Khoo had decided to end an agreement under which Shearson has been providing financial services to Tan Sri Khoo. No reason was given, and neither side would comment on the move.

Shearson began acting for Tan Sri Khoo on December 29 last year after the Brunei Ministry of Finance took control on November 20 of National Bank of Brunei (NBB), in which Khoo controlled a stake of over 70 per cent.

The Brunei authorities closed the bank and arrested a number of its executives.

At the time of the takeover, the Brunei authorities alleged that some S$1.32bn (US$620m) in loans had been made without proper documentation or security, some 90 per cent of which went to companies connected to Tan Sri Khoo.

Paris sets bank flotation price

BY GEORGE GRAHAM IN PARIS

THE FRENCH Government has fixed a price of FFr 130 a share for the privatisation of Banque du Bâtiment et des Travaux Publics, whose offer for sale opens today.

The price values the bank, the smallest flotation yet in the Government's privatisation programme, at FFr 416m ($69m), slightly above the minimum of FFr 400m set by the official privatisation commission.

The continuing appetite of French investors for shares in privatised companies makes the BBTP flotation a difficult exercise since it risks being swamped by demand.

In an attempt to cope with the problem, the Government has split the Bank's shares into four and is leaving the offer open for one week only, not the customary two.

In order to avoid hostile takeovers, however, the Government is also forming a hard core of institutional investors, including the construction industry which is BBTP's speciality, to buy 51 per cent of the bank's capital ahead of the main offer.

This leaves only 1.07m shares for the public offer – not enough, if the recent privatisation of Sogenal, the Alsatian bank, is any guide.

Sogenal's offer for sale was 42 times subscribed, and orders were cut back to a maximum of six shares a head. Demand was so heavy on its first two days of trading last week that the stock exchange was unable to fix a price for the share.

An indicative price of FFr 170 was reached on Friday compared with an offer price of FFr 125 a share.

In desperation, the Government has resorted to new legislation to cope with the possibility that it might not even be able to allot one share to each applicant.

Allied-Signal sells Amphenol unit

BY RODERICK ORAM IN NEW YORK

ALLIED-SIGNAL, a leading US industrial conglomerate, has sold for $430m its Amphenol subsidiary which makes connectors for electrical cables.

The buyer was LPL Investment Group, a Connecticut company founded in 1985 by Mr Lawrence DeGeorge and his family with the objective of establishing a billion-dollar company in electronics and telecommunications equipment.

Amphenol, a leading manufacturer of high quality connectors used, for example, in computers, had operating profits of $33m last year. Its sales of $487m were roughly five times those of LPL, which is in the same markets, having bought Scientific-Atlanta's cable business and American Lightware Systems.

LPL, which will finance the purchase by issuing $375m of debt and $110m in equity, outbid more than 30 other potential buyers, including Emerson Electric and Litton Industries.

Mr DeGeorge, 70, said he wanted the company because "trying to build something that is number one or number two in the market place would have taken 20 years."

Allied-Signal had put Amphenol and six other electronics and instrumentation companies with sales of $1.5bn on the block last December.

Ferruzzi group spends L46bn on holdings

By John Wyles in Rome

MR RAUL GARDINI'S Ferruzzi group has spent around L46bn ($35m) in the past week acquiring new equity holdings.

The purchase of around 9 per cent in Ciga Hotels and of 4.2 per cent of the equity of Marzotto, the textile group, represents what are thought to be Ferruzzi's first investments clearly unrelated to its traditional agro-food and chemical interests.

The link between the two investments, if there is one, is hotels. Ciga is the Aga Khan's holding company for his hotel interests, while the Marzotto family – as opposed to the quoted company in which Mr Gardini is investing – owns 60 per cent of the Italjolly-Jolly Hotels group.

The Ciga stake has been taken by Agricola Finanziaria while the Marzotto purchase was made by Ferruzzi Finanziaria, the Ferruzzi family holding company, which owns 56 per cent of Agricola.

In the same stock market operations, the Ferruzzi family holding company also purchased 2.58 per cent in Zignago, a food business more closely related to Ferruzzi's traditional activities.

Alan Bond shuffles gold interests

BY STEFAN WAGSTYL IN LONDON

MR ALAN BOND, the Perth-based businessman, is rationalising control of his gold mining interests with an A$81.6m (US$57.4m) acquisition by North Kalgurli Mines of gold interests held by Metals Exploration.

Mr Bond controls both companies through his private group, Dallhold Investments. In recent months, mining companies controlled by Dallhold have a series of moves designed to concentrate gold interests in North Kalgurli.

As a result North Kalgurli is emerging as one of the larger Australian producers with about 215,000 ounces a year, mostly from around Kalgoorlie, Western Australia.

In the deal announced yesterday, North Kalgurli is paying A$16.3m cash and 49m North Kalgurli shares for Hampton Gold Mining Areas – which was itself acquired by Metal Exploration in a contested battle last year. North Kalgurli said it planned to sell Hampton's non-gold interests for A$22m as soon as possible.

Since Hampton Gold Mining Areas controls only 75 per cent of its principal subsidiary – Hampton Australia – North Kalgurli is also bidding for the outstanding 25 per cent, offering A$1.01 a share plus three North Kalgurli shares. The bids are based on asset value.

When the deals are completed Metals Exploration's stake in North Kalgurli will rise from 31.7 per cent to 36.2 per cent. Dallhold speaks for 24.5 per cent of Metals Exploration.

Meanwhile, a $60m bid made earlier this year by North Kalgurli for Windsor Resources, another mining company controlled by Mr Bond, is still current.

DIARY DATES

Trade fairs and exhibitions: UK

April 6-10
International Fire and Security Exhibition and Conference—IFSEC (01-446 8211) Olympia

April 6
International Construction Equipment Public Works and Municipal Services Exhibition and Conference (01-637 2400) NEC, Birmingham

April 8-9
Better Made in Britain 5: Clothing, Knitwear and Footwear; 6: Building Components and DIY (01-211 7153) Kensington Exhibition Centre

April 14-16
International Trenchless Construction for Utilities—Conference and Exhibition (0923 778311) Kensington Exhibition Centre

April 14-16
International Book Fair (01-940 6065) Olympia

April 17-18
Cash and Carry Fashion Fair (01-727 1929) Kensington Town Hall

April 24-26
Atari Computer Show (061-456 8835) Novotel

April 26-May 4
London International Furniture Show (01-385 1200) Earls Court

April 26-28
International Confectionery Market Exhibition — INTERCONFEX (01-661 4900) NEC, Birmingham

April 27-30
Audio Visual Exhibition (01-688 7788) Wembley Conference Centre

April 29-30
London Engineering Design Show (0895 58431) Sandown Exhibition Centre

May 1-12
Northern Ideal Home Exhibition (0602 501202) G-mex Centre, Manchester

May 2-4
Photographic Exhibition (01-661 4900) NEC, Birmingham

May 7-9
Scottish Freight Transport and Distribution Exhibition Conference (01-642 7688) Aviemore Centre

Overseas

Current
International Chemical and Petrochemical Industry Exhibition (01-486 1951) (until April 9) Beijing

April 9-12
International Toy Fair—SPIEL (01-977 4551) Vienna

April 16-18
International Electro-Optics and Laser Exhibition (01-940 3777) Tokyo

April 22-28
International Computer & Office Automation Exhibiton—KIECO (01-439 0501) Seoul

April 25-30
International Wire and Cable Production and Wire Products Exhibition—WIRE ASIA (06833 7755) Beijing

May 5-9
International Footwear and Leather Goods Show (01-379 0765) Taipei

May 6-10
International Contract Floor Coverings Exhibition (01-734 0543) Frankfurt

Business and Management Conferences

April 6
International Business Communications: 6th annual television planning and buying seminar (01-236 4080) Marriott Hotel, W3

April 8-9
FT Conferences: Technology in the securities market—the next five years (01-621 1355) Hotel Inter-Continental, W1

April 9-10
Institute for International Research: Selling personal financial services within the new regulatory framework (01-434 0301) Park Lane Hotel, W1

April 9-10
Frost and Sullivan: Project management for data processing operations (01-730 3438) Sullivan House, SW1

April 9
CBI: EFTPOS—the payment card revolution (01-379 7400) Centre Point, WC1

April 11
The Chartered Institute of Management Accountants: Going for growth (0234 272222) Northampton

April 24
CBI: Making and using sales forecasts (01-379 7400) Centre Point, WC1

May 11-15
ISATA: 16th International Symposium on Automotive Technology and Automation (01-680 3659) Florence

May 11-12
Practising Law Institute: Foreign Investment in the United States after the Tax Reform Act of 1986 (NY (212) 765-5700) New York Hilton

May 12
Institute of Directors: The Inland Revenue and the Company Executive (01-839 12331) 116 Pall Mall, SW1

May 13
Longman Seminars: Defaulting debtors: how to avoid them and what to do if you fail (01-242 4111). Cavendish Conference Centre, W1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Parliament

TODAY

Commons: Opposition debate on the growing social and economic inequalities in Britain. Motions on Scottish legal aid and advice regulations.

Lords: Motions on legal aid regulations. [illegible]

TOMORROW

[illegible]

WEDNESDAY

[illegible]

THURSDAY

[illegible]

FRIDAY

Commons: Adjournment debates.

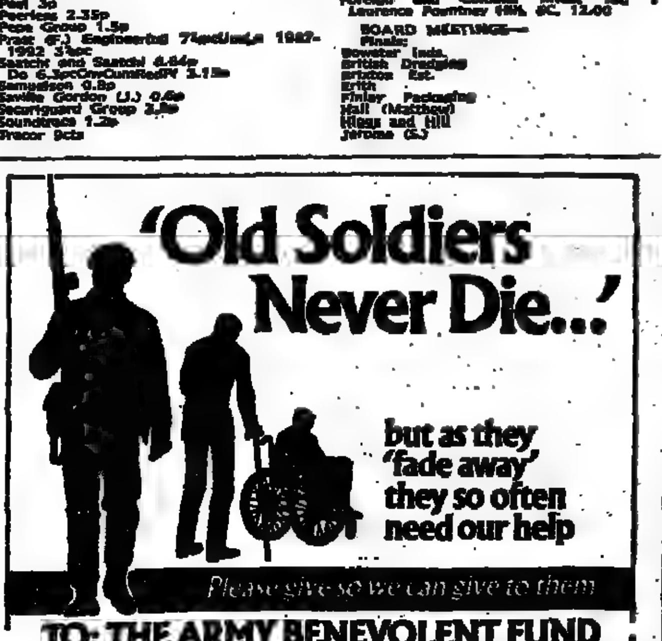
Finance

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—

[illegible]



APPOINTMENTS

Leisure chief at Granada Group

Mr David Quayle, who founded the B & Q Do-It-Yourself Supercentres, will be joining the board of GRANADA GROUP. He will become chairman of its leisure and consumer services division, which incorporates Granada Theatres, Granada Motorway Services, and Park Hall Leisure. He will be taking up his post with Granada Group later this year, when he will cease to be deputy chairman at Television South. He will continue as non-executive chairman of the video group Cityvision.

★

BRITVIC CORONA has made the following board appointments: managing director, Mr J. W. Angles operations director (distribution and dispense), Mr D. L. Corkhill; operations director (production and technical), Mr J. E. Lewis; personnel director, Mr A. Smith; purchasing director, Mr G. E. V. Martin; corporate planning director, Mr S. J. Davies; finance director, Mr R. S. Eccles; sales director (Corona sales force), Mr M. A. Utteridge; sales director (Britvic sales force), Mr B. A. Beene; marketing director, Mr P. W. Gibbs. Mr R. W. Jarred is appointed company secretary for Britvic Corona.

★

Mr Iain Clark has been appointed to the board of HENDERSON ADMINISTRATION GROUP.

★

Mr Stewart Wilson and Mr Jim Hetherington have been appointed to the board of ODGERS AND CO. Mr Wilson was commercial director of Dairy Crest and Mr Hetherington a Foseco Minsep, divisional chairman.

★

Mr Huw Davies has been appointed chief executive, HTV WALES. In addition to his present duties as director of programmes, he will be responsible for the strategy, co-ordination and implementation of all the company's activities in Wales.

★

DECON ENGINEERING, Bridgwater, part of the Delta Civil Engineering group and supplier of the first two Channel Tunnel machines in joint venture with James Howden, has appointed Mr Paul Nicholas as development and marketing manager for the company's new range of microtunnelling equipment.

★

Mr Roy Burton has been appointed managing director of ALLIED AMPHENOL PRODUCTS, UK manufacturing operations, and military aerospace division, in Whitstable, Kent. He was director and general manager of the industrial & technology division.

★

The Earl Bathurst has joined the board of FORESTOR of Whitchurch, Hants.

Mr Leigh Sebba has been appointed managing director of WARNFORD INVESTMENTS following the retirement from full-time business of Mr Max Sebba who continues as a non-executive director and consultant.

★

MORTGAGE SYSTEMS, a subsidiary of Abaco Investments, has appointed Mr Stephen Knight as full-time consultant. He was UK sales and marketing director of Citibank's mortgage banking division. The appointment is from April 27.

★

Mr D. R. Morgan, managing director of Avon Tin Printers, Bristol, has been appointed chairman of ATP MANAGEMENT, the holding company of Avon Tin Printers and its American subsidiaries. He will remain in his present post.

★

Re-structuring of the Hull-based Marr family firm has been completed with the formation of J. MARR as a new holding company and the setting up of a number of new subsidiaries. Directors of the new holding company are Mr G. A. Marr (chairman), Mrs G. A. Marr, Mr C. R. Marr and Mr J. G. Marr. Non-family directors have been appointed for the first time to the board of the new operating company, J. Marr (Shipping). They are Mr R. J. Hind and Capt. G. Botterill. Both are also on the board of Marr Vessel Management (new) and Mr Hind on the board of Marr Technical Services (new).

★

SKIPTON BUILDING SOCIETY has appointed Mr Brian Haggas as chairman. He joined the board in October 1978 and has been vice chairman since 1982. He is currently chairman and managing director of John Haggas (Keighley) and a director of Magnet & Southern.

The following have been appointed to the board of N. M. ROTHSCHILD & SONS: Mr John Bishop, Mr Paul ffolkes Davis, Mr Peter Johns, Mr Keith Palmer, and Mr James Yates.

★

Mr Michael H. Ellis has been appointed treasurer to HALIFAX BUILDING SOCIETY from June 1. He is director of finance for the London Borough of Newham.

★

Mr Brian Redknap, City Engineer for Coventry since 1974, has been elected as chairman of the ASSOCIATION OF MUNICIPAL ENGINEERS.

Reorganisation at Plaxtons

Board changes have been made by PLAXTONS (GB) following acquisition of the Kirkby Central Group. Mr John Pepper has been appointed chairman and Mr David Matthews group managing director. The other executive directors are Mr Colin Cowdery, Mr Neil Beresford, Mr Trevor Reeve and Mr Richard Battersby. Mr Eric Plaxton becomes the group's first non-executive president. Mr John Birley and Mr John Oates have resigned from the board, although it is the intention that Mr Birley should remain a consultant to the company.

★

INVESTORS IN INDUSTRY has appointed Mr Roger Pett as a local director in charge of the Guildford office, due to be opened this spring.

★

CARADON has appointed Mr Dennis C. Arbon to the board. He also becomes deputy chairman of Caradon Mira of which he was managing director.

Mr Stuart J. Eaton, managing director of the TIPTON & COSELEY BUILDING SOCIETY, is to retire in November. He will be succeeded by Mr Christopher J. Martin, secretary for the past four years.

★

Mr Patrick Blin joins ATLANTIC CONTAINER LINE SERVICES (ACLS) in Southampton as senior vice president on June 1 with responsibilities for the commercial and operations divisions. He will transfer from one of ACL's shareholders, Compagnie Generale Maritime, where he is general manager for North American Services (ACL, Pacific Europe Express, US Gulf Service) based in Paris.

★

Mr Talmai P. Morgan, who joined SEDGWICK GROUP in March 1986, has been appointed deputy group secretary.

★

At BRAITHWAITE GROUP, Mr John Nutt joins the main board as chairman, replacing Mr John Harper, who is retiring. Mr Nutt's appointment follows the recent appointment of Mr Stuart Ross as finance director. Mr Nutt is also chairman of SPP and, before the latter's management buy-out from Booker McConnell, was a main board director and chairman and chief executive of Booker's engineering division. He is also a non-executive director of Syltone. Mr John Stimpson has resigned as group development director.

★

Sir Marcus Fox, Conservative Member of Parliament for Shipley, Yorkshire, has joined the board of retirement homes developer McCARTHY & STONE as a non-executive director. He has been a consultant to the company for a number of years.

New post at Lloyd's Register

LLOYD'S REGISTER OF SHIPPING has appointed Mr Michael C. Robinson to a newly-created non-executive post of director, general marketing. He was joint managing director of Eggar Forrester for many years. In 1981 he was appointed director of marketing for British Shipbuilders, following which he became marketing director for Hill Samuel Shipping Holdings. Mr Robinson will have general marketing responsibilities, principally for LR's marine business.

★

A new company, HEATH FIELDING INSURANCE BROKING, has replaced C. E. Heath & Co (International) and combines the original C. E. Heath International portfolio and the major UK facultative risks of the C. E. Heath UK retail division with the international facultative division of Fielding Insurance Holdings. The officers of the company are: chairman—Mr J. G. Mackenzie Green; joint managing directors—Mr R. M. Harrison and Mr M. H. Kier; directors are—Mr A. D. Brotzel, Mr D. A. Butler, Mr T. C. Coster, Mr N. E. Dexter, Mr R. W. Fountaine, Mr M. N. Harvey, Mr F. J. Hasler, Mr M. S. Jones, Mr T. P. Newbery, Mr R. S. Palmer, Mr C. A. Pavely, Mr R. Pratt, Mr J. P. Proctor, Miss M. C. Ross, Mr B. M. Routledge, Mr L. C. Turner and Mr J. J. C. Underwood.

M. W. Marshall senior posts

Mr J. Capuano and Mr N. T. Fortune have been appointed directors and Mr W. Lechner an assistant director of M. W. MARSHALL & CO, money-broking subsidiary of the Mercantile House Group. Mr Capuano is senior executive vice president of Lasser Marshall Inc of North America, Mr Fortune is to become Asia/Pacific regional director of Marshalls based in Hong Kong and Mr Lechner is joint managing director of Hatori-Marshall Co, Tokyo.

★

M. W. MARSHALL & CO has made the following appointments: at Marshall Woellwarth (Foreign Exchange) Mr Christopher J. K. Kelsen has been appointed chief executive, Mr Michael A. Roberts joins the board as director and Mr Martin W. Ellison as finance director; at Marshall Woellworth (Deposits) Mr Christopher H. Flanders has been appointed chief executive, Mr Adrian C. F. Walker and Mr Geoffrey Westbrook become managing directors and Mr Martin W. Ellison joins the board as finance director; at M. W. Marshall (Sterling) Mr John A. Tee has been appointed chairman and Mr Roger A. Webb chief executive. Mr David S. Hasler joins the board as director; at M. W. Marshall (Capital Markets) Mr David Froggatt, Mr Paul Alexander, and Mr Jon G. Pyzer join the board as directors. Mr Martin W. Ellison will join as finance director.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date		Announcement last year
Allied-Lyons	May	8	Final 6.25
*Assoc British Ports	Apr	9	Final 6.75
*BCI	Apr	13	Final 15.0
*Bank of Scotland	Apr	27	Final 8.5
*Bowater	Apr	8	Final 5.5
*Brixton Est	Apr	8	Final 3.35
*Bunzl	Mar	31	Final 5.75
*Burmah Oil	Apr	9	Final 8.25
Costain	Apr	30	Final due
Evered	Apr	10	Final 2.25
Ertel	May	8	Final 8.0
F. R. Group	Apr	30	Final 2.5
*Glaxo	Apr	13	Interim 4.0
*Hall (M.)	Apr	8	Final 3.0
*Hammerson Property	Apr	9	Final 7.5
*Hawker Siddeley	Apr	15	Final 10.0
*Helical Bar	Apr	9	Final due
Inchcape	Apr	28	Final 11.0
*Kwik Save	Apr	23	Interim 1.8
*Laporte	Apr	15	Final 5.65
Marks and Spencer	May	8	Final 2.65
Mowlem (J)	Apr	10	Final 10.0
*RMC	Apr	14	Final 8.4
*Rio Tinto Zinc	Apr	9	Final 15.0
Royal Bank of Scotland	May	7	Interim 4.0
*Smiths Inds	Apr	15	Interim 1.75
Staida	May	8	Interim 0.45
Tarmac	Apr	29	Final 11.75
Tate and Lyle	Apr	31	Final 7.2
*Taylor Woodrow	Apr	14	Final 13.25
*Tesco	Apr	29	Final 3.7
Tootal	Apr	29	Final 2.5
*Trafalgar House	May	8	Interim 6.2
*Travis and Arnold	Apr	6	Final 6.57
U.E.I.	May	8	Final 3.5
Vaux	May	8	Interim 4.18
Wellcome	May	1	Interim due
*Wimpey (G)	Apr	8	Final 2.9

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast

Company Notices

bank leumi (uk) plc

Head Office: PO Box 2AF, 4-7 Woodstock Street, London W1A 2AF
Tel: 01-629 1205 Telex: 888738 Facsimile no: 493 1426

"1986-ANOTHER YEAR OF GROWTH AND INCREASED PROFITS"

Highlights from the Statement of the Chairman, at the Bank's Annual General Meeting

- Net profit up from £1,050,000 to £1,600,000.
- Total assets increased from £390,000,000 to £411,000,000.
- The directors propose a final dividend of 8.5p per share making a total for the year of 12.4p per share, equivalent to 17.7p gross, an increase of more than of 10% over 1985.
- During 1986 the bank enjoyed higher profits in most areas of business—Increased customer lending contributed to substantial growth in interest income.—A large increase in non-interest income was achieved from fees and profit on investments in securities.
- The development of our domestic business continued through 1986 with the opening in August of our new branch in Kenton, Middlesex. This brings the London network total to six plus one further branch in Leeds.
- An extensive market research survey conducted in 1986 has laid the foundation for the preparation of the banks strategic plan for continued growth through the 1990's.

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Contracts and Tenders

BRAZILIAN AERONAUTICAL COMMISSION IN EUROPE

Invitation for Tenders

1. The Brazilian Aeronautical Commission in Europe ("BACE") purchases military and non-military goods in the United Kingdom and other European countries (and occasionally in other parts of the world) on behalf of the Aeronautical Ministry. BACE requires the services of warehousing, preparation, packing, storage, labelling or marking, handling, clearing of customs and delivery to nominated carriers of such goods from numerous points in Europe and occassionally from other parts of the world, the final destination of all such goods generally being Brazil. Occasionally goods will be temporarily imported from Brazil for service, repair or maintenance and subsequent export to Brazil.
2. Tender documents for this enquiry may be obtained after the 10th of April 1987 from the offices of BACE at 16 Great James Street, Holborn, London WC1N 3DP, United Kingdom and from the Aeronautical Materials Directorate DIRMA at Praca Senador Salgado Filho s/n, Aeroporto Santos Dumont 3 Andar, 20021 Rio de Janeiro, Brazil.
3. Companies may participate in this enquiry if they are registered in the Aeronautical Materials Directorate with its principal offices in Rio de Janeiro, Brazil, or in the Register of BACE or of other Brazilian government organisations or entities with principal offices in Brazil or with representative offices in London. Further, companies who submit the necessary documents for such registration before the 1st day of May 1987 may also participate in this enquiry.
4. Sealed tenders in quadruplicate and in the prescribed form, without amendments, shall be submitted to BACE at 16 Great James Street, Holborn, London WC1N 3DP at the latest by 1700 hours local English time on the 8th day of May 1987.
5. BACE reserves the right to reject any or all tenders and/or accept any tender either partially or completely without assigning and reason therefore. The receipt of quotations shall in no way be binding upon BACE.

RENATO CLAUDIO COSTA PEREIRA
Group Captain
HEAD OF THE BRAZILIAN AERONAUTICAL COMMISSION IN EUROPE

Company Notices

SWEDISH MATCH AB

[illegible]

Legal Notices

No. 00962 of 1987
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
THE PROPERTY TRUST PLC
AND IN THE MATTER OF
THE COMPANIES ACT 1985

[illegible]

Art Galleries

[illegible]

UK COMPANY NEWS

Architect for market with £13m valuation

BY RICHARD TOMKINS

YRM, the building design group whose projects have included all the terminal buildings at Gatwick Airport, is about to become the first architect to join the stock market through a *full listing*.

James Capel, the stockbroker, is expected to bring the company to the market later this week through a placing which will value it at a little over £13m.

City-based YRM has its origins in the architectural practice Yorke, Rosenberg, Mardall which was formed in 1944. Now in its second generation of partners, it has evolved into a multi-disciplinary practice which includes architecture and planning, building services engineering, interior design, and structural and civil engineering.

It operates in the public and private sectors in the UK and overseas, and is best known for its work on offices, airports, hospitals, hotels, schools and industrial buildings.

Apart from Gatwick Airport, its design projects have included the Gatwick Hilton, 23-29 Eastcheap in the City, the new dealing rooms for Credit Suisse First Boston, and St Thomas' Hospital opposite the Houses of Parliament.

It also carries out refurbishments and is currently working on plans to return St Pancras Chambers to its former role as one of London's top hotels.

The prospectus will show pre-tax profits rising from £178,000 in 1982 to £1.1m in the year to April 1986, on turnover up from £3.8m to £8.4m. YRM says the architectural market appears to be growing strongly, with one of the factors being the reduction in the economic life of properties because of the need to purpose-build them for specialised equipment.

YRM wil not be the first architect to seek a quotation: D.Y. Davies and Whinney Mackay-Lewis both came to the market last year, but these are younger and smaller practices and are quoted on the USM.

YRM says its nearest comparable competitors are Arup Associates and Building Design Partnership, both of them unquoted.

About 25 per cent of YRM's enlarged equity will be floated off, with part of the proceeds going to existing shareholders and part going into the company to finance further expansion.

L & N accepts offer from Evered

By Philip Coggan

The board of London & Northern, the health care, construction and energy group, has accepted the £99m offer from Evered Holdings, the *industrial* conglomerate headed by the Abdullah brothers.

It appears that the Mackenzie family, which had run London & Northern, might in future concentrate on Tace and Goring Kerr, two electrical companies of which Mr Jock Mackenzie is chairman.

London & Northern had previously survived a bid by Demerger Two, a newly-formed company specially established to acquire London & Northern and split it into four component parts.

When that bid failed to obtain the required 90 per cent acceptance level, despite several extensions, Evered launched its two-for-five share offer. L & N had pushed for better terms, but Evered had declared at the outset that the offer was final. Now the directors intend to vote for the offer in respect of their holdings of 6.7 per cent.

Yesterday, Mr Peter Earl the director of Ifincorp, Earl which advises Demerger Two said that it would "take the recommendation pretty seriously and would be unlikely to vote against it." Demerger still owns around 9 per cent.

If the bid is accepted, L&N will offer its remaining 11.25 per cent stake in Tace, the electrical group to shareholders.

The Abdullahs have no interest in retaining the Tace holding, but Jock Mackenzie will apply for the entire 11.25 per cent stake.

F.T. Share Information

The following securities have been added to the Share Information Service: Capital Radio (Section: *Leisure*) Hewetson (Buildings), Sinclair Goldsmith (Property).

COMPANY NEWS IN BRIEF

BROWN & JACKSON (marketing and distribution, commodity trading) is selling its 50.05 per cent interest in EGH Holdings to Phantomthuder for a maximum £6.1m. An initial payment of £4m will be satisfied by £2.4m cash and the balance in convertible *redeemable* preference shares.

HILLSDOWN HOLDINGS has acquired the remaining 49 per cent of its subsidiary, Inghams Stockfeeders, via the issue of 142,101 ordinary.

TOWN CENTRE Securities is raising £15m by a placing of first mortgage debenture stock 2021. The money will be used to cut overdrafts and loans, and finance expansion.

BROWN & TAWSE, industrial products distributor, has acquired for £246,750 cash, the business and stock of Specialised Equipment Suppliers, an air movement equipment distributor.

BOC GROUP: More than 14,000 shareholders—28.5 per cent—have elected to take the scrip alternative instead of cash on the final dividend for the year ended September 30 1986. The alternative offered one new share for every 65 already held.

PARAMBE has agreed to purchase a holding of 400,000 Group Development Capital Trust ordinary shares from A. D. Millar. The consideration is 124,000 new Parambe shares credited as fully paid placed by Laurence Prust and Company at 102p. The holding being purchased represents 5.06 per cent of the issued share capital of Group Development and will be held as a long-term investment.

NATIONWIDE LEISURE'S proposed acquisition of private nursing and residential homes in the east Midlands has been called off. Inspectorate EaE Group, the offer from which *has been declared unconditional*, has indicated that it will not vote in favour of the purchase and Nationwide said it had not been possible therefore to conclude satisfactory underwriting arrangements for the deal.

HEYWOOD Williams, glass and aluminium specialists, has been *trading at high level* in the first quarter of 1987, with profits in excess of budget, according to Mr Ralph Hinchcliffe, chairman, at the annual meeting.

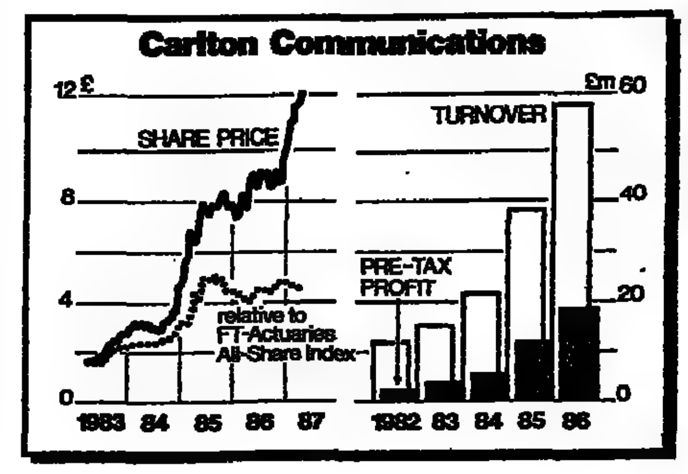
WILLIAM Boulton Group has announced that it intends to repay the outstanding £19,694 nominal of 8¼ per cent convertible unsecured *loan* stock 1987-92 on April 22 at par plus accrused interest to June 30 1987.

MARLING Industries has acquired the share capital of Byrom Textiles, incorporating the trading assets of the Multiple Winding, based in Denton, Manchester, for about £1.16m. *The acquisition has been satisfied* by £201,000 cash with the rest in Marling shares.

Clay Harris on the creation of an international TV and film network

Carlton's strength in breadth

Carlton Communications is preparing for a television revolution — one of costs as well as technology. In only four years as a public company, it has created an international network of production facilities and hardware manufacturers designed to capitalise on the upheaval.



Michael Green, the Carlton chairman

Since coming to the stock market through a reverse takeover of Fleet Street Letter, the share tipsheet, Carlton's market capitalisation has risen from less than £9m to £430m.

Starting out as a photography and exhibitions group, it now operates at every level of television and film production. It makes advanced digital equipment, provides facilities and expertise for the shooting of programmes and commercials, sound and video editing and addition of special effects, and transmits programmes to satellite and cable channels.

It tok another step last month when it acquired 20 per cent of Central Independent Television, the holder of Britain's largest seven-day commercial franchise.

The purchase also signalled that Carlton, however youthful, had been judged fit to join the ITV club. In 1985 its agreement to take over Thames Television, holder of the London weekday franchise, had been blocked.

It has steadily increased margins and pre-tax profits along the way. In the year to last September, it reported pre-tax profits of £18.8m on turnover of £58.3m. After a spurt in its first 2½ years, Carlton's share price has risen in line with the market since the Thames affair.

Carlton is by no means the only, or even the leading, player in any of its activities. But it covers more bases than any of its competitors, enhancing its overall position.

The company's guiding premise is simple: the worldwide explosion in broadcast hours is unlikely to be matched by a proportionate increase in revenue, whether from advertising or subscriber fees.

The challenge for programme makers will be to do more with relatively less, to disguise their economies with bravura special effects and clever post-production manipulation. Advertisers, forced to compete more fiercely for viewers' attention, may take the same technical route but will emphasise quality over cost.

Mr Michael Green, Carlton's 38-year-old chairman, has an answer for both: "You can use technology to make a simple piece of artwork look interesting and animated. We can afford to buy the best."

Carlton is looking for strength in breadth. Its Abekas subsidiary, for example, is a relatively recent entrant to the manufacture of digital video effects devices. The technical leadership of Quantel, part of Britain's UEI, and Ampex, which Allied-Signal of the US is in the process of selling, has not been surpassed, especially at the most *sophisticated end* of the market.

Unlike its rivals, however, Abekas does not have to rely on ad hoc arrangements to learn of producers' latest demands. Carlton's own production and post-production units, including The Moving Picture Company, Complete Post and Video Time, give Abekas designers direct access to the cutting edge.

"If it didn't have a facilities house, it might be slower to see what the market needed next," says Mr Richard Tavener, analyst with London stockbroker James Capel.

This link also helps Carlton's facilities houses, which are engaged in a sector typified by great surges in technological innovation, which often swamp smaller players which cannot afford to re-equip in time.

Carlton's strategy has been to develop a presence at every price level, to insure that no business is lost by default.

Moving Picture Company, for example, would not countenance a request for a discount in its high-quality commercials market. Carlton Television competes for music videos at a slightly less rarified level, and TVI operates in the more cost-conscious and cut-throat programming sector.

Carlton has also positioned itself well geographically.

"We've got New York for *commercials*, *Los Angeles for* programming and London for Europe, and that covers the market," Mr Green says.

Although Carlton does have its own programming side, its strength is in hiring out the *facilities* and avoiding the producer's financial exposure. In advertising, too, its risk is limited, since even a levelling off in advertising revenue might increase the demand for efficiently produced commercials, heavily dependent on special effects.

Like other independent houses, it has benefited from the flexibility of its work-rules compared with those at the BBC and ITV. Its technical staff are paid just as well, if not better, but contracts recognise that work comes at odd hours and not necessarily in an even pattern.

This, as well as advanced technology, is important in attracting top-quality staff and establishing the reputation to win the best business.

"The state-of-the-art editors are almost as expensive as the machinery," says Mr Paul Styles, director of Britain's Independent Programme Producers' Association.

Mr Green sees the US as the model for the future of world television, with local stations, cable operators and satellite broadcasters acting almost as utilities, distributing programmes (apart from local news) bought from independent proucers rather than made in-house.

TVI's London studio already transmits into three subscriber-*broadcast services, such as* Sky Channel, which goes to nearly 8m European homes from small premises in London.

"It's the way a television station should be run," Mr Green says.

Carlton faces a number of challenges. It needs to make up ground against its digital effects competitors. It has no product, for example, equal to Quantel's Paintbox. Mr Green is known to have been interested in buying Ampex, from which the three founders of Abekas broke away to form their company in 1982.

Terms could not be agreed with Allied-Signal, however, and Carlton had not submitted a bid when the deadline passed last Tuesday. New York analysts expect Ampex to fetch from $400m to $500m.

"We ned to be bigger in the commercials field," Mr Green adds.

Manhattan-based Gordon Enterprises, bought for $21m in December and in which Carlton is investing $10m on new studios, is the key.

The coming pressure for Britain's broadcasters to buy more of their programming from outside—aproaching 25 per cent within a few years—may also be a mixed blessing for Carlton. The BBC and ITV companies are likely to hire out their under-utilised studios, adding to competitive pressures.

Carlton's broad spread of activities will give it an advantage, however, in riding out any short-term difficulties.

"You may find dips in demand," Mr Styles says, "but *overall*, the market will expand."

BOARD MEETINGS

TODAY

Interims: Lloyds Chemists, North British Canadian Investment.

Finals: Beauford, Brammer, British Alcan Aluminium, Cannon Street Investments, Caparo Industries, Edinburgh Oil and Gas, Hunting Petroleum Services, Stanley Miller, Queens Moat Houses, Renwick, Richards (Leicester), Tharsis, Thurgar Bardex, Travis and Arnold, Watts Blake Bearne.

FUTURE DATES

Interims:	
Raine Industries	Apr 9
Finals:	
Boosey and Hawkes	Apr 9
Derby Brewery	May 5
Dewhurst (I. J.)	Apr 13
Friendly Hotels	Apr 7
Guthrie	Apr 14
Helical Bar	Apr 8
Hollis	Apr 7
London & Metropolitan Estates	Apr 13
Plumb Holdings	Apr 30
Savoy Hotel	Apr 14
Sindall (William)	Apr 15
Ward White	Apr 14

Alida placing

A placing of 883,250 Alida Holdings shares has been arranged by Singer & Friedlander with L. Messel, Alexanders Laing & Cruickshank and Smith Keen, Cutler.

The shares, which have been sold by Alida directors, connected persons and directors of subsidiary companies and which reduced their stake from 42.5 per cent to 34.5 per cent, have been placed with institutional and private clients at 420p.

FINANCIAL TIMES STOCK INDICES

	Apr. 3	Apr. 2	Apr. 1	Mar. 31	Mar. 30	Mar. 27	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Government Secs.	89.91	89.91	90.14	90.28	89.97	90.76	94.51	80.39	127.4	49.18
Fixed Interest	97.30	97.37	97.77	97.76	97.71	97.43	97.98	86.55	150.4	50.53
Ordinary	1546.4	1567.6	1588.0	1577.1	1582.2	1620.6	1625.2	1094.3	1625.2	49.4
Gold Mines	415.9	433.5	445.5	455.3	438.2	432.8	455.5	185.7	734.7	43.5
FT-Act All Share	986.06	996.46	988.79	1000.04	1004.17	1025.08	1026.58	664.42	1026.58	61.92
FT-SE 100	1965.1	1987.7	1973.1	1997.6	2002.5	2048.6	2056.2	1370.1	2056.2	986.9

CONTENTS

FINANCIAL TIMES SURVEY

Malta which goes to the polls in May 9 now has a growing industrial and tourist base. Voters will be asked to choose between a continuation of the interventionist policies pursued over the past 16 years by Labour and the more free market, pro-EEC views of the Nationalists. **Richard Evans** reports.

Feast of St Paul, patron saint of Malta, in Valletta

Terry Kirk

Crucial time for decisions

THE STREETS and squares of Malta are ablaze with political banners and posters as the country prepares for a general election which both major parties know will be crucial in shaping its future.

The Labour Party has been in power for an uninterrupted 16 years and in that time there has been a fundamental change in Malta's international role, traditionally fashioned by its strategic position in the Mediterranean and by its relations with Europe.

Economically, the traumatic changeover from an economy dependent largely on Britain's naval presence to one of independence has been completed. Politically, the country has moved from being under the West's Nato umbrella to a position of neutrality and non-alignment, deliberately seeking friends and trading partners wherever they may be found.

The aim has been to end Malta's centuries old role as an island fortress under the domination in turn of the Phoenicians, Carthaginians, Romans, Arabs, Knights of St John and finally the British. Malta became a republic in 1974 but remains within the British Commonwealth.

The Prime Minister and leader of the Labour Party, Dr Carmelo Mifsud Bonnici, wants to continue the broad policies laid down by his charismatic predecessor Mr Dom Mintoff, but in a more conciliatory style. Under his leadership Malta would remain neutral and non-aligned and domestically the Government, closely linked with the trade unions, would keep a firm grip on the economy.

His opponent in the elections due on May 9, Dr Eddie Fenech Adami, the Nationalists' leader, would be much more overtly pro-Western, and would seek full membership of the European Community. He would also liberalise Malta's state-dominated economy by introducing more competition and by increasing the role of the private sector which was on the retreat in the Mintoff era.

The divisions between the two parties are bitter in the hothouse of Maltese politics, and the margin between their voting strengths is invariably small. At the last election in 1981 there was a freak result when under the proportional representation system the Nationalists gained 4,000 more votes than the Labour Party but ended up with three fewer seats in Parliament.

There was uproar and charges of gerrymandering of boundaries from the Nationalists, who refused to take their seats in Parliament and launched a campaign of civil disobedience for about 18 months.

The fear expressed by the Nationalists was that if they should win a larger proportion of the vote but again be denied a parliamentary majority there would almost certainly be a violent reaction from frustrated supporters.

To meet these fears the Labour Party under Dr Mifsud Bonnici's less abrasive leadership, has sought to ensure that there can be no repetition of the 1981 result. Using a formula originally drafted by Mr Mintoff, still a force to be reckoned with in local politics, a law was passed in February guaranteeing that if a party had more than 50 per cent of the votes cast it would get a majority of seats. This would be done by co-opting the necessary number of candidates from the party's list of "best losers."

But cunningly, the Government linked the electoral reforms with other impending changes in the constitution which Dr Fenech Adami was not immediately willing to concede, including writing into the constitution Malta's status of neutrality and non-alignment.

The electoral reforms have helped take some tension out of what was threatening to be a violent campaign. There was a major confrontation in December between the Nationalists and the police at a rally in the southern town of Zejtun when 23 people were injured, and in another incident a Nationalist supporter was killed by machine gun shots fired into a local party club.

There is still a great deal of controversy over the discovery by police in 1985 of shotguns at a Nationalist Party headquarters. The Government saw this as evidence of a punitive plot to overthrow it, but the Opposition claimed it had no knowledge of the cache and believed that the guns could have been planted.

Nationalist leaders remain convinced that the police are politically biased in favour of the Labour Party and do nothing to prevent intimidation by Labour zealots. Police chiefs in their turn complain of a campaign of denigration and harrassment by the Nationalists and their media supporters.

As the campaign proper gets under way with colourful mass rallies more like weekend fiestas than political meetings, tensions do not appear as great as they were. But in a country where politics is so polarised that most villages have their separate Labour and Nationalist clubs, one spark could set things alight.

Credit for the lowering of tension must go at least partially to the tactics of the Prime Minister. He has largely followed the economic and foreign policies set in the 13 years of Mintoff rule, but he has trimmed at the edges and repaired many of the fences damaged by Mr Mintoff.

After the withdrawal of the last British troops in 1979 and the loss of £28m a year in revenue from the Nato base and naval dockyard, and from spending by British service families, Malta had to diversify its economy fast.

Investment came from Western Europe, particularly West Germany as well as the UK and Italy, and many state-backed enterprises were developed, including the drydocks based on the Royal Navy facilities, Malta Shipbuilding, a huge grain silo and a trans-shipment and container terminal.

Barter deals were struck with the Soviet Union and other eastern bloc countries and trade was developed with near neighbours in North Africa including Tunisia and Libya. But more recently there has been another change of tack and under Dr Mifsud Bonnici, the emphasis is again on closer links with Europe, especially the EEC.

Bridges have been built fast, especially with Italy, nearest neighbour and a major trading partner, and with the UK. Trade with Italy was disrupted when an aid agreement ran out in 1983, but a new agreement was signed in November worth ML 54m (£98m).

Relations with the UK, which ranged from poor to non-existent under Mr Mintoff, are now cordial and were cemented last August with a ceremonial visit to Valletta by the frigate HMS Brazen. It was the first visit to Malta since the Royal Navy pulled out.

What remains problematical is Malta's relations with the US, which continue to be cool if not icy largely because of Malta's links with Libya. Dr Mifsud Bonnici has maintained cordial relations with Colonel Gadaffi, although there has been a falling off in trade and in tourism because of the impact of falling oil prices on the Libyan economy. The Americans remain suspicious, however, and more US investment has been hard to attract.

In an interview in Valletta's splendid 16th century Auberge de Castille et Leon, built by the Knights of Malta and now the seat of government, Dr Mifsud Bonnici commented: "I do not think we have made any improvement in relations with the US. It is with Western Europe that there has been a marked improvement. They now understand and appreciate our policy of neutrality and non-alignment."

Dr Fenech Adami, were he to become Prime Minister, would not cut ties with Libya but he believes that Malta has been damaged internationally by being too closely identified with Col Gadaffi and his policies.

Apart from the easing of tension the Government has been helped by an improvement in the economy. Imports are stable, exports increasing and tourism is booming. A number of intractable problems have been solved or defused over the past two years, particularly the bitter clash between the government and the Roman Catholic church over fee paying schools.

Top priority in their manifesto will now be given to bringing down unemployment which stands officially at 8 per cent but is probably at least twice that—Malta's black economy rivals that of Italy—and reform of the judicial system.

But the Government clearly feels vulnerable to the Nationalists' persistent charges of abuse of human rights and poor control over law and order, and to the simple attraction to the electorate of a change after 16 years of unbroken rule.

The Nationalists would clearly change the economic and investment climate, with a greater emphasis on the private sector and the dismantling of state controls including the bulk purchase of many products centrally.It remains unclear how much state controlled industry can be dismantled readily, given its entrenched position and the hostility of the public sector workforce.

The big question mark in the next month must remain civil unrest. Both party leaders agree that immense damage would be done to either party if supporters got out of line and indulged in more violence.

Politics

Clear cut result is the universal wish

PARTY POLITICS in Malta, traditionally polarised, were made even more feverish after the last election in 1981 when the party with a majority of the votes failed to gain a majority of the seats in the 65-member House of Representatives.

The ruling Labour Party, in power under Mr Dom Mintoff since 1971, gained 49.1 per cent of the votes compared with the Nationalist Party's 50.9 per cent but won three more seats.

There was a stream of angry charges of gerrymandering from the Nationalists, a boycott of Parliament, a programme of civil disobedience and warnings of mayhem if the same thing should happen again.

Tempers have cooled in recent months as constitutional reforms have been enacted to try to ensure there is no repetition. But the campaign for the election, due in early May, is certain to be tense and there is a universal wish for a clear cut result.

Ironically, Malta has a carefully structured proportional representation voting system based on the single transferable vote method which should in theory provide an accurate reflection of the electorate's wishes, and the trauma of 1981 was the first time in 60 years that such an anomalous result had occurred.

According to independent election analysts the result occurred not so much through gerrymandering of constitutional boundaries but because more of the votes cast as first preference for the Nationalists were wasted compared with votes cast for Labour. Nationalist candidates were runners-up in nine constituencies and Labour in only four.

The drawing of boundaries by an independent election commission became more difficult after 1974 when the constitution was amended to cut the permissible deviation from the national quota in the 13 electoral districts from 15 per cent to 5 per cent and to disregard parish boundaries if necessary. This has created some extremely convoluted and artificial boundaries and has fuelled Nationalist suspicions of gerrymandering.

After a series of stop-go negotiations between the parties last year a plan was put forward by Mr Mintoff, still a force to be reckoned with on the parliamentary back benches. This would allow the party gaining more votes but fewer seats in Parliament the right to co-opt enuough MPs to enable it to govern.

The idea was rejected initially but it eventually formed the basis of a constitutional amendment put through Parliament in January this year which both parties hope will defuse the issue.

In future, if a party with over 50 per cent of first preference votes gets fewer than half the seats, the necessary number of MPs will be added from the party's list of "best losers" to ensure a majority in the House of Representatives.

There is undoubtedly still room for dissention and argument—politics in Malta could scarcely survive without it—but appreciably less scope than last time. As Mr Emanuel Farrugia, the chief electoral commissioner, says: "Political parties in Malta are never willing to lose readily. If they do lose they like to blame the referee."

One remaining problem is that the Electoral Commission, which will oversee the elections, has not received the backing of the Nationalists. Opposition leaders have objected to five of the eight members.

It will be up to the Commission to ensure that the conduct of the elections is seen to be fair and this is never easy in Malta. There are frequent allegations of vote rigging and intimidation, and Mr Farrugia emphasises the scale of the elaborate precautions that will be taken.

To prevent any intimidation in the vote counting rooms only candidates and their agents will be allowed passes. Labour Party lists will be handed to the Nationalists and vice versa so that any known trouble makers can be weeded out.

Ballot boxes will be sealed and locked in strongrooms guarded by the police and by private security guards employed by the parties. Seals both on the ballot boxes and on batches of ballot papers will be broken in public when counting starts, and unused voting papers will be checked.

In order to cement the agreement on electoral reform the Nationalists had to pay a price. They had to accept with reluctance two much less palatable changes to the constitution.

Under the first, Malta's status of neutrality and non-alignment introduced by Mr Mintoff will in future be able to be changed only by a two-thirds majority in Parliament—impossible in normal circumstances because of the traditionally close results. This means that the Nationalists would be unable to offer the use of bases on the island to Nato should they win the election.

They also conceded the principle of refraining from accepting any form of electoral backing from overseas political organisations. There was a big political row in 1981 when the Nationalists sought help in their campaign from allies like West European Christian Democrat parties.

Any "foreign interference" in the year in which an election is fought will now give the government of the day a reason for cancelling the poll.

Richard Evans

Prime Minister Mifsud Bonnici: soft spoken and less combative image than predecessor, autocratic Dom Mintoff

Profile: Prime Minister Carmelo Mifsud Bonnici

Labour's adroit conciliator

THE GROUND rules of Malta's overheated politics have changed since Dr Carmelo Mifsud Bonnici became Prime Minister in December, 1984. He was handpicked by the autocratic Mr Dom Mintoff who ruled Malta like a mediaeval fiefdom for 13 years, and the contrast could not be greater.

Where Mr Mintoff was charismatic, aggressive and confrontation, Dr Mifsud Bonnici is soft spoken and conciliatory.

In the two and a half years of his premiership he has taken pains to project a less combative image in an effort to take some heat out of the polarised politics of Malta. But the impression can be deceptive.

In reality Dr Mifsud Bonnici, a 53-year-old ascetic bachelor, is just as tough an operator as Mr Mintoff, and rather more subtle. He masterminded the Labour Party's controversial third-in-a-row election victory over the Nationalist Party in 1981, he spearheaded the campaign against the Catholic Church's fee paying schools — the most contentious political issue of the past few years—and he has retained close ties with Libya.

But he prefers a less abrasive style and he has succeeded in defusing so many issues that the Nationalists are finding him a difficult target to attack.

Essentially, he has made the Labour Party's interventionist, neutralist policies appear less controversial without in essence changing them.

In many ways, Dr Mifsud Bonnici was a curious choice to succeed Mr Mintoff. He has never stood for public office and he was not a senior figure in the Labour Party. His preferment by Mr Mintoff has never been fully explained but the assumption is that the aim was to choose an outsider to avoid a threatened internecine battle for succession within the Labour Party hierarchy.

His earlier career was worthy but staid. In the 1960s and early 1970s he was legal adviser to the Malta Young Christian Workers' Movement and later to the government-controlled General Workers' Union.

The breakthrough came after he gained Mr Mintoff's gratitude by organising Labour's election victory of 1981. After an elaborate series of boundary changes shortly before polling day, Labour achieved victory under a proportional representation system of voting in spite of securing fewer votes than the Nationalists. It was a highly controversial victory that still rankles deeply with the Nationalists.

He was not regarded as a possible leader until 1982 when he was co-opted into the Malta Parliament after the resignation of a Labour MP, and immediately appointed Minister of Labour and Social Services. Within 15 months he was made senior deputy Prime Minister and for a time Minister of Education — a key post given the bruising dispute with the Roman Catholic church over education for all.

Despite his low key style, Dr Mifsud Bonnici is as influential a leader domestically as was Mr Mintoff, as he has kept control of a wide range of responsibilities. As Prime Minister he controls government establishments, the electoral office, citizenship, oil exploration, broadcasting, civil aviation, ports and shipping.

As Minister of the Interior he is responsible for the Armed Forces, police, airport security, immigration and prisons, while as Education Minister he is in charge of education, libraries, the information division and Gozo affairs.

On the international front the major achievements of the grey-haired, crew-cut Prime Minister have been a repairing of fences with the West, especially the UK and Italy, although relations with the US remain strained because of continuing close contacts with Libya.

Domestically, there is a more relaxed atmosphere because of an upturn in the economy and closer links with the private sector which was out in the cold for years under Mr Mintoff. Dr Mifsud Bonnici lives with one of his two sisters. He has three brothers, one of whom is a Nationalist MP and another a Catholic priest.

Richard Evans

Profile: Dr Fenech Adami, leader of the opposition

Lawyer lifts the class barriers

WHEN TEN years ago Dr Eddie Fenech Adami, now 53, took over as leader of the opposition Nationalist Party from the late George Borg Olivier, few rated highly his chances of refurbishing the party's electoral strength. Having been trounced twice in the previous five years by former premier Mr Dom Mintoff's ruling Labour party, the Nationalists, demoralised and disorientated, appeared to be heading towards a gradual extinction.

Pessimism about Dr Fenech Adami's qualifications to give the apparently unstoppable Dom Mintoff a run for his money looked not altogther misplaced. Having entered parliament in 1969 through a by-election held in his district of Birkirkara, Dr Fenech Adami's political track record was hardly earthshaking.

Very much of a political unknown, the new leader appeared to be another dapper lawyer more likely to get entangled in the legalities of the wholesale review being ordered by Mintoff of Malta's' traditional life styles, than to check its progress.

Yet, at the first opportunity, in the David and Goliath elections battle of 1981, Dr Fenech Adami came unbelievably close to unseating Mr Mintoff from power. The event was only impeded by controversial electoral boundary reforms which gave the Labour party a three seat parliamentary majority, while the Nationalist party had scored an outright 51 per cent of the popular vote.

Since then Dr Fenech Adami's star has not stopped rising. He has developed his party along professional lines into a well-oiled political machine.

Though neither charismatic nor populist by nature, Dr Fenech Adami has transcended Malta's distinctive class barriers. His supporters include shopfloor workers as well as the island's conservative monied and landed gentry.

His critics see him as both politically naive and weak under pressure. This is perhaps due to an inclination to compromise on issues rather than adopt a confrontational stance. In February he conceded on the issue of entrenching Malta's neutral and non-aligned status in the constitution, and agreed not to seek outside support during elections in exchange for a constitutional guarantee his party will be allowed to govern should it net more than 50 per cent of the votes at the May general election.

Dr Eddie Fenech Adami, turning the Nationalist party into a well-oiled machine

Dr Fenech Adami's politics are cast in the same mould as those of Christian Democrats in much of the rest of Europe, and he has served as vice president of the European Union of Christian Democrats (EUCD) since 1979. He is against delivering Malta back to Nato as a base but will sue for EEC membership if elected to power.

His leadership of the opposition Nationalist party has been marked by relentless criticism of the government for its excessive use of power. His clarion call in the current campaign—work, justice, freedom—represents the party's priorities if elected.

"We want to create more economic wealth, end political patronage and satisfy people's demands for more personal freedom," he explains.

Godfrey Grima

Economy

Moving along the right lines

"WHAT WE actually have," argues Mr Lino Spiteri, Malta's Oxford-educated minister for economic planning, and a former deputy governor of the island's central bank, "is a medium-sized rock in the centre of the Mediterranean. That gives us a strategic position, but we have no minerals, no raw materials, only our labour force, rock, sun and sea."

Notwithstanding these limitations, the economy has been steadily maturing. Its performance, as it grapples with problems peculiar to its size, is not dazzling, but neither has Malta finished up as a client state of the US, as many had predicted at independence in 1964, or of the Soviet Union, as many feared with the closure of British military bases in 1979 at an annual cost of ML28m (£47m) in lost revenue.

That progress has not been faster can be blamed on three factors: the island's almost total exposure to international market forces; its size and, throughout the premiership of Mr Dom Mintoff, who retired in 1984, the over-ambitious economic targets on which sights were set. Much more economic wealth would have been generated had not valuable time and money been lost trying to turn Malta into a highly industrialised state.

There were other problems, too. The manner in which the move towards a stronger public sector role was launched lacked the finesse needed to allay fears that the Government was seeking to elbow the private sector out of business. The establishment of a bevy of state-owned companies ranging from insurance firms, hotels, a national cargo carrier, an airline, banks, shipbuilding yards, and a string of failed industrial projects, has caused the private sector to view with distrust the Government's intentions. Many considered state intervention as a prelude to economic disaster.

When four years ago tourist and export receipts suddenly plummeted there was near panic. Mr Mintoff's policies lacked the flexibility needed to cope with the depression.

The arrival of Dr Carmelo Mifsud Bonnici as prime minister in 1985 and a slight economic recovery in western Europe, Malta's main market, quickly gave the economy a timely spin off.

The new prime minister's approach in dealing with Malta's economic woes appears more monetarist than marxist.

Growth, at the time he took over, was being restricted by an overly inflated Maltese lira which made holidays to Malta and exports increasingly uncompetitive. The main culprit was an over-rated US dollar in the basket of currencies against which the Maltese lira is weighted by the central bank. The value of the US dollar was immediately cut to more realistic levels and with it fell the value of the Maltese lira.

Dr Mifsud Bonnici is also pragmatic enough to dig deep into the national coffers to give Malta's two main income earning activities, tourism and manufacturing industry, more of a fighting chance in other ways.

British tour operators now forward-purchase Maltese currency at favourable rates to ensure sales. The ploy also guarantees against brochure price changes should sterling fall after the booking season closes. This year, between July and September UK tour operators will contract the Malta lira, currently quoted at £1.80, at £1.45, and the rate falls to £1.35 in the winter. To be able to do this, the Maltese central bank forks out more than ML 2m. This year, however, Malta faces its best tourist season for years.

Similar backing is given to exporters of semi-manufactures. Exporting companies, employing 30,252 people out of a total of 117,307 gainfully occupied benefit from currency fluctuation schemes which are really camouflaged subsidies. These apply wherever the Malta lira assumes too hard a stance for Maltese products to compete.

By the end of this year, the government could well end up forking out ML 4m in helping manufacturers compete. Subsidies, however, are beginning to have an effect. Output, which leapt forward by another six per cent last year pushed Malta's GDP past the ML 500m mark. Per capita income last year climbed past the ML 1,450 figure registered in 1985. This places Malta in a highly respectable 39th position in a league of one hundred and sixty one countries surveyed annually by the United Nations.

Commercial banks are bursting with excess liquidity even though lending increased substantially in 1986. This is the effect of constantly growing personal savings.

"We are heading towards becoming an affluent society," argues Mr Emmanuel Ellul, general manager at the Maltese Central Bank. He drives the point home by revealing that 54 per cent of the Maltese now own their own house. A whole generation has been raised to expect economic growth and welfare to increase year by year.

A more indicative benchmark is the island's balance of payments position. Malta in 1986 totted up a ML 5m favourable balance on current account.

Malta's major problem, however, remains unemployment. Clearly the economy is unable to expand in time to absorb excess labour, and solutions are costing the country dear as thousands seeking employment are offered government jobs. More than 31,000 people—over a third of those gainfully occupied—work in government departments, serve in paramilitary organisations, work as apprentices, trainees or as auxiliary workers.

Organisations in which government has an interest mop up all the jobless they can afford. A three-year economic plan launched last year specifically to curb unemployment is, according to Mr Spiteri, ahead of its projects, helped by this scheme and by the creation of 1,150 new openings by the private sector.

In paring down the army of jobless through public sector employment, the government is running the risk of setting off a bout of inflation. An increased wages bill could inflate the island's imports bill now running at an annual ML 347m. This in turn may increase Malta's visible trade gap which last year fell to ML 153m.

Government economic planners reason differently. With official reserves still growing at ML 544m the state can well afford to finance transitory employment on this level. Improved income from wages at the same time promises to bring expansion in tourism and the manufacturing sector. Thirdly the government's recruitment schemes could well take the bottom out of an underground economy now running at a reputed 25 per cent of the national economy, they argue.

With the island in the middle of a general election campaign, opposition and Nationalist Party leader, Dr Eddie Fenech Adami insists unemployment is out of hand and that no gain is made from having one civil servant for every 10 people. This is what the current large scale recruitment into the government service will provide.

He says his party will introduce a new prices incomes policy should it win the forthcoming poll. This, he says, will differ from the existing model which has kept wages and prices fixed for five years.

A Nationalist Government will also dismantle Malta's state bulk buying system which imports 50 per cent of essential commodities entering the island. Dr Fenech Adami, however, appears to harbour no inclination to liberalise the economy completely by, for example, privatising banks.

Prime Minister Mifsud Bonnici argues the economy is no longer on a plateau. "Exports have improved and we're getting so many tourists from Britain we're afraid we would be lulled into making the mistake of ignoring demand from continental Europe."

He is also buoyed by the increasing interest being shown in Malta by American investors.

Godfrey Grima

Italy's former Prime Minister, Bettino Craxi and Dr Mifsud Bonnici, Prime Minister of Malta, signing the ML 50m Italian aid package for Malta

Malta in 1986	
Population:	341,000
Labour supply:	123,000
Unemployed:	8,500
Gross Domestic Product:	ML 502m
Rate of Inflation:	1 per cent

Trade

Dollar fall cuts deficit

EACH YEAR Malta runs a merchandise trade deficit with the rest of the world, often amounting in total to more than a fifth the size of gross domestic product.

Being completely barren of mineral deposits and raw materials, the island is forced to import all of its consumer needs as well as the supplies demanded by its industrialisation programme.

Fluctuating international commodity and money markets heighten Malta's difficulties in coping with deficits. Jitters on world markets, for good or ill, have an instant marked effect on its trading performance.

What illustrates the point clearly are the current fortunes of the US dollar. A weakening US dollar narrows Malta's trade gap as the cost of imports comes down. This is what presently sustains Malta's current low trade deficit.

Last year with the dollar reeling Malta paid ML 347m (£522m) for her global imports compared with ML 354m a year before. An improvement of ML 10m in exports, which grew to ML 294m in 1986, chipped further at the trade deficit. By year's end the trade gap had narrowed to ML 153m from ML 167m in 1985.

Unfortunately the situation will reverse itself once the dollar picks up again, unless there is a substantial increase in exports. The slow nature of the recovery which Maltese exporting firms are undergoing rules out the prospect, however, at least in the short term.

Yet, the outlook for Malta, is not as bleak as one would imagine and successive attempts to keep the trade gap in harness have resulted in the trade balance no longer being the dominant economic concern.

Some help is coming from the practice of countertrading Malta-made goods against essential commodities. Trade reciprocity deals are especially appealing to East European countries, which have been responsible over recent years for supplying an increasing amount of coal, cars, and, on a few occasions, crude oil to the island.

Two successive countertrade deals signed with the Soviet Union have helped Maltese exporters win orders worth over US$700m, spread over six years. These cover the purchase of clothing, footwear, leather products and eight 7,700 ton timber carriers now under construction at the Marsa shipbuilding yards.

A handful of major corporations from the west, including car manufacturers, are prepared to countertrade rather than lose the Maltese market completely. In the main, however, west European exporters stand aloof from entering into trade reciprocity accords. This, and the sluggish trading that goes on with communist countries puts into perspective the contribution countertrading can make.

Essentially it is in the exchange of goods with the European Community which annually accounts for 75 per cent of Malta's exports, that the island must take action. An import ban on Japanese goods, Malta's geographic proximity to Europe, and the island's industrial expansion have all played a role in substantially increasing Maltese imports from Europe.

Since the European Community holds a vital importance for Maltese exporters, a government-inspired confrontation with European trading partners over deficits can only be unproductive. This lesson was drawn from a vitriolic dispute which former premier Dom Mintoff had with Italy in 1984.

That row has long been settled but Italy still enjoys a ML60m trade surplus with Malta each year. In 1986 Italy bought ML21m worth of semi manufactures against Maltese purchases of ML81m.

Malta's trade relations with Britain resulted in another ML35m trade imbalance. Shipments to the UK last year dipped by ML3m to ML26.6m. In return Malta bought ML61.6m worth of British-made goods.

France seems to make no conspicuous effort to trim down an annual trade surplus averaging ML7m.

With sales to the EEC last year totalling ML129.6m compared to ML252m worth of imports, Malta was left with a huge trade imbalance of ML122.4m.

Malta tries to make up for this loss by persuading offending countries into coming up with financial and economic aid as compensation.

"Wherever we are buying more than we are selling" points out Dr Mifsud Bonnici the prime minister "we stand a good chance of striking some balance."

The initiative worked well with Italy last year. Following lengthy negotiations, the island was awarded a ML50m grants and loans aid package which runs until 1990. Italy is also offering investors fiscal advantages to start up industry in Malta which, as is the case with West Germany, would help step up exports and cut down the bilateral trade gap.

Britain makes up for the loss by maintaining its position as the island's main supplier of tourists. Tourism in 1986 earned the island a gross ML79m, the greater part of which was spent by British holidaymakers. Arrivals from Britain this year are already 56 per cent up, which for Malta reflects the swift recovery of the UK market. Britain, besides providing Malta with ship repair work, is also a prominent source of manufacturing investment.

West Germany last year purchased ML61.9m worth of Malta-made products against exports to the island valued at ML65.8m. This roughly worked out at a favourable balance of ML4m for West Germany, but the federal republic is making a substantial contribution to Malta's economic wellbeing through the 43 industrial concerns operating on the island. These not only provide jobs and exports but are viewed as an outstanding promotion for Malta's investment conditions.

Despite the huge trade surpluses they run in dealing with Malta, Italy, Britain, France and Germany are viewed as trustworthy backers of Maltese causes at the EEC. The community recently gave Malta an ECU29.5m financial grants and loans package with which to expand industry.

When exports of goods and services are weighed against imports Malta is left with just a ML40m resource gap.

Godfrey Grima

Imports and Exports

(Lire m)

	1985 Imports	1985 Exports	1986 Imports	1986 Exports
EEC	258.0	124.3	252.0	129.6
UK	65.7	29.9	61.6	26.6
West Germany	63.1	57.4	65.8	61.9
Italy	*81.8	17.4	81.8	21.0
US	20.3	11.9	18.2	14.9
USSR	5.1	10.2	4.2	8.1
Total	354.1	169.2	347.5	180.1

* Includes £25m worth of fuel refined in Italy

Source: Central Office of Statistics, Malta

Institutions

President's role may be enlarged

MALTA'S independence constitution, inspired by Whitehall in 1964, has proved no more immutable than those of other emerging Commonwealth countries.

In 1974, the Valetta parliament turned Malta into a republic, dismantling the last vestiges of a 200-year-old association with Britain. That was more of a cosmetic than a substantial change, with the workings of the island's political, economic and social institutions being left untouched.

Far-reaching constitutional reforms were enacted in February this year. A two-thirds parliamentary majority entrenched Malta's neutral and non-aligned status in the constitution, preventing future governments from driving Malta into Nato or the Warsaw Pact. Another reform commits political parties not to solicit foreign backing in the run up period to a general election.

A third change guarantees power for the party netting more than 50 per cent of the popular vote at a general election. This should foil a perverse result similar to that of 1981 which returned Labour to power with a minority of votes.

These changes to the rules under which the forthcoming election will be fought were devised by Malta's former premier Mr Dom Mintoff—a measure of the influence he still wields as a Maltese elder statesman.

It now seems highly possible parliament will after the elections promote new constitutional changes to propel Mr Mintoff back to the centre of the Maltese political stage, as president with increased, though not totally executive, powers.

The Prime Minister Dr Carmelo Mifsud Bonnici has already twice offered Mr Mintoff the presidency and opposition leader Dr Eddie Fenech Adami, at least until recently, was not against supporting Mr Mintoff's nomination either.

The increased presidential powers would include authority over the army and the right to appoint people to certain key posts. These would include, for example, appointments over which government and the opposition traditionally bicker.

Dr Fenech Adami would seem to view his former political enemy as a potential ally in restraining boisterous Labour party and trade union elements from any attempts to destabilise a future Nationalist government. Should Mr Mintoff's nomination come up, however, Dr Fenech Adami will have to explain his support to grassroots party activists many of whom blame Mr Mintoff's successive administrations for their numerous ills. These include high handed treatment at the government's hands, not to mention violence, and a debasement of the currency of political debate.

It is the state of law and order, however, which the opposition presently finds most disquieting, not the future of the presidency.

Particularly worrying for Dr Fenech Adami is the behaviour of the island's 1,200-strong police force which he insists protects pro-government thugs and tortures his supporters during questioning.

Yet, although actions have been filed in the courts alleging police brutality, the claim that police are torturing opposition supporters on an "epidemic scale" seems exaggerated, like the government's claim that an arms cache had been discovered in 1983 at the Nationalist party headquarters. What was found amounted to a couple of shotguns, cordless telephones, some 100 litres of acid, truncheons and steel helmets (which were later said to be theatre staged props) together with some handguns and automatic rifles in warehouses owned by Nationalist party supporters.

The problem is that both political parties now have become paranoid about the plots the other side is supposed to be hatching.

The police, while denying the accusation that torture takes place, in turn accuse the Nationalist party of conducting a systematic campaign to demoralise force members and to taint the force's public image.

What certainly did not help matters for the police was the murder of a young Nationalist supporter whose death was first blamed on another Nationalist party activist. This swiftly unleashed a press campaign which tried to show the police were framing innocent people.

"We have no means to fight this slur campaign. There are thugs in both political parties. The force is stretched to the limit and often it becomes difficult to keep political violence in check," insists a senior official.

Decisions by politicians again often create unnecessary problems for the police. When the Nationalist party last year rallied thousands of supporters to walk into a no-go area after the courts had overturned a government ban, the police were squarely blamed for the clashes which erupted in which several people were injured.

This is not to suggest the police behaved with total propriety or that all Nationalist party charges against high handed police tactics are unfounded. However, both the police and the Prime Minister scoff at suggestions, made by Dr Fenech Adami, that rowdy government supporters might tamper with the forthcoming election result, should the Nationalists win, by attacking the counting house.

"Should anyone be as foolish I will personally lead our supporters to help the security forces clear them out of the way. No one is going to attack the counting house whichever way the result goes," affirms the Prime Minister Mifsud Bonnici.

Parliamentary democracy has been preserved intact so far although, on occasions, parliamentary business falls victim to unruly scenes. It is not uncommon in parliament for tempers to run riot or for an army colonel to enter the chambers to trade insults with the opposition leader.

A novel by Dr Oliver Friggieri, a noted scholar on the island called "No Flowers Bloom in Parliament," which pits the small man against misbehaving government officials recently outsold any other book ever published in Malta which reflects people's concern with politicians' excesses. Legislation, in recent years in particular, however, tended to be mostly synchronised to Malta's real needs.

Former Prime Minister Dom Mintoff: may return to the centre of the stage as President

Broadcasting, which is run by the Government this last year has lowered its hostile posture towards the opposition. With the broadcasting authority keeping a watchful eye both radio and television have inserted a more balanced tone in their coverage of political events.

Overall, therefore, Malta's political, economic and social institutions seem to have weathered the storms a small island inevitably runs into. The Labour party still wants to delineate more clearly where the Government's powers in maintaining law and order end and where those of the judiciary begin. This is probably as far the Government will go in reforming the courts, a long-standing Socialist party promise.

The opposition party is against key institutions, like broadcasting and the banks, being in the hands of party people. "If we are elected we shall not be out for heads. We want efficient people to be able to live with us in doing their duty," says Dr Fenech Adami.

Obviously Malta's two rival political parties are now mindful of the serious problems Malta will face should they sow the seeds of social unrest.

Godfrey Grima

Thriving role for the banks

The institutions appear to have generated public confidence as well as wealth. Banks, though part of the public sector, are thriving. Dr Joe Buttigieg, chairman of Mid Med Bank, the largest commercial banking operation in Malta proudly points at the substantial participation of his organisation in industry, Mid Med Bank is also a major sponsor of arts and culture in Malta.

The youthful chief executive of the rival Bank of Valletta Mr Dennis Sammut points to his bank's expansion with pride. In Australia, he says, millions of dollars are being taken in as deposits. The Bank of Valletta, he reveals, will shortly be flying the flag in the City of London, too.

Development

Results prove variable

A SPLENDID range of development schemes, ordered at a time when tourism and manufacturing industry threatened to falter, have begun to come on stream, but with mixed results so far.

The more ambitious projects seem more fitting for highly industrialised nations than for this tiny island state, but are being supported mainly for their long term potential.

This holds particularly true of an ML 80m (£136m) transhipment harbour developed on Malta's south coast at Marsaxlokk. The development is a remarkable feat of engineering aimed at turning Malta into a central Mediterranean distribution port for cargo bound for Europe and Africa. The harbour's deep water quays can accommodate simultaneously two third generation container ships while the parking lot will be able to stack 80,000 containers.

Marsaxlokk has not yet, however, lured the Far Eastern and North American producers serving Europe and Africa for whom it was built.

"It is all a question of time" argues Mr Joe Fountain, chairman of Maconte, the company running the terminal. We are presently handling roughly one ship a week, but once this project catches on Marsaxlokk is going to be a very successful port," he insists.

With freight rates collapsing it has not proved the best time to bring the harbour on stream. Cut-throat competition from the longer established ports is also giving Marsaxlokk little opportunity to prove its worth. Potential undoubtedly exists and this is confirmed by the interest shown by Eurokai, the port of Hamburg operators, and by the Port of Singapore authority. Both want to participate in managing Marsaxlokk, though for the moment Maconte is running the scheme on its own steam.

The New Zealand Dairy Board is the best client attracted so far. The board has chosen Malta, ahead of Genoa for the transhipment of dairy products to North Africa and to date has sent 40 vessels. Mr Fountain is hoping this will have the snowballing effect of enticing the dairy and meat boards of Australia into following New Zealand's lead.

Falling freight rates have also caused problems for the grain silo built on the edge of the Valletta Grand Harbour. This has a storage capacity of 86,000 tons. It was hoped the project would help secure for Malta a slice of 45m tons of wheat, corn, coarse grains, and soyabean annually moving through the Mediterranean, particularly if American wheat brokers such as Early and Daniels could be persuaded to partner the Maltese in marketing the project. Business for the silo, too, for the moment is slow.

Other major projects have shown greater success. Marsa Shipbuilding, which was built out of wasteland at a cost of ML30m is said to be doing well. Within the relatively short space of a decade the shipyard at Marsa, deep inside Grand Harbour, has been constructed from scratch, equipped, had its workforce trained and has taken to the business of building ships as though it was a traditional Maltese activity. Last year the yard's workforce reached 1,800 men from a previous 700.

"We are booked solid for seven years to come," Mr Sidney Barbara, the company chairman, reports.

Overall, during the past 16 years more than £1bn has been sunk in a vastly improved infrastructure and government sponsored industrial outfits. Another ML61m have been earmarked for capital expenditure under a three year development plan launched last year.

A continual roadbuilding programme has resulted in new facilities both to service new developments and to improve access to beach resorts.

Considerable investment has been absorbed, too, in updating telecommunications. Automatic dialling now links the island with all of Europe and, after the installation of a satellite earth station last year, with North America. The plan is to step up domestic telephone lines to 132,000 by 1988.

Housing remains a priority even though Malta is reputed to be one of the best housed countries in Europe.

"Our target is for every Maltese to own his own house. We are planning on building more housing estates and currently we are working on a scheme which would allow tenants to buy the house they rent without the landlord losing out," the Prime Minister, Dr Mifsud Bonnici, explains. Substandard homes have mostly been bulldozed to make way for modern state housing estates.

With the government setting its sights on attracting 1m holidaymakers a year, a new air terminal is being built at Luqa airport at a cost of roughly ML 10m. Yacht marinas are being developed on Malta and Gozo while the few sandy beaches in existence are being spruced up.

At the same time the Government is building an additional 40 factories to meet demand from an increasing flow of industrial investors.

By and large the Maltese have spent their money wisely. This wide range of development is helping curb unemployment. At the same time it will stand Malta in good stead once its tourist and manufacturing industries recover fully.

Godfrey Grima

Public Investment

Key question is Nationalist attitude

DURING Mr Dom Mintoff's 13 years in office there was state intervention in the Maltese economy on a considerable scale and although Mr Carmelo Mifsud Bonnici, the present Prime Minister, is much more conciliatory towards the private sector, public investments remain at the heart of the economy.

Directly or indirectly the Government controls the country's utilities, air and shipping lines, ship repair and manufacturing, and many factories and hotels. The state also controls banking, insurance, telecommunications and radio and television.

In all, the public sector generates over 40 per cent of the country's gross national product and employs a third of the workforce. The key question now is what would happen to the public sector should the Nationalists—much more market orientated than Labour—win the forthcoming election.

Central control has meant that the Government can provide a wide range of incentives to attract foreign investors, often through the Malta Development Corporation and these have developed either as joint enterprises or independently. There is no insistence on a state or a Maltese holding of any sort.

The country's biggest single employer, with a workforce of 4,500, is Malta Drydocks which uses the former Royal Navy facilities in Grand Harbour, Valletta. The drydocks, hit by the European recession and the world shipping slump, has suffered heavy losses in recent years, but 1986 was the best year since nationalisation and the outlook is now brighter.

It is estimated that increased orders of 15 per cent would allow the docks to break even, but competition for orders in the Mediterranean is as fierce as ever and in the past many have been politically inspired. Examples are contracts with China and eastern bloc countries.

The drydocks are under workers' management and no employees have been sacked in recent difficult years, although prices have had to be trimmed back. According to Mr Sammy Meilaq, the dynamic chairman of the drydocks, industrial democracy has been useful in avoiding labour problems that have affected yards elsewhere.

The drydocks, which has seven docks one of which can take vessels up to 300,000 tons deadweight, is not strictly a co-operative as the workers do not own the company. The worker-elected council is in day-to-day charge but it is fully responsible to the Government.

There have been close links between the drydocks and the Malta Shipbuilding Company at nearby Marsa, which is a joint Maltese-Arab venture, with 61 per cent of the capital held by the Malta Government, 30 per cent by Libyan interests and 9 per cent by an Algerian bank.

It was set up in 1976 to provide the island with facilities to build ships up to 120,000 tons deadweight, thus complementing the repair, refitting and specialised engineering services of the drydocks.

Predictably, because of the world shipping slump, the early years were not easy, but the shipyard has survived the sceptics' doom-laden warnings, and the signs are increasingly promising.

The key to survival has been an order placed in December, 1984 for eight 7,700 ton dwt timber carriers for the Soviet Union, the biggest industrial contract ever awarded in Malta. Four of the vessels, which need specially strengthened steel hulls to withstand low temperatures and ice pressure, are under construction.

If the programme goes well an order is expected from Russia for a further eight vessels, which would keep the yard fully occupied. Negotiations are also nearing completion for a tanker ship and service boat for China.

"Our workforce has gone up from 700 to 1,800 in the last year and there is now definite potential for profit. We are now a major pillar of the national economy," says Mr Ph. Buhagiar, managing director of the shipyard.

Perhaps an even bigger gamble than the shipyard is the new container terminal at Marsaxlokk in the south, which represents the most capital intensive project ever launched in Malta. It is very much Mr Mintoff's pet project and the final cost when it is completed in late 1988 will be over $225m.

The first two development phases, a container handling terminal and a 1 km long breakwater, have been completed and the final phase, a second terminal for bulk cargoes is now under way. The whole scheme, which is partly financed by Saudi Arabia, is a massive gamble designed to make Malta a key trans-shipment port for the Mediterranean making maximum use of its strategic position between Europe, the Arab world and North Africa.

It has not been easy to break into the highly competitive container market because of the lack of a trading record and relatively little sophisticated equipment. But Mr Joseph Fountain, chairman of Malta Containers Terminal Company, believes that pared-down charges and stable labour relations will quickly build up trade.

So far the major contract is for the trans-shipment of dairy products from New Zealand to Libya and urgent efforts are under way to identify and target potential clients. "The terminal will inevitably be a lossmaker initially but I calculate it could be making a profit within six years. Our target is to handle 50,000 containers by the sixth year," says Mr Fountain.

One of the earliest decisions of the Mintoff administration was to challenge the domination in Malta of foreign air and shipping lines by launching 13 years ago the national flag carriers, Air Malta and Sea Malta.

The country's changing trade patterns in the 1970s demanded a rapid expansion of air and sea links which foreign carriers were not providing, but breaking into the international market was inevitably difficult, particularly for the shipping line.

Air Malta under the chairmanship of Mr Albert Mizzi has benefited from the growth in tourism and has recently signed contracts for three Boeing 737-200 aircraft and for an A320 Airbus with an option on another.

The banks were roped into the public sector to ensure that the Mintoff Government's plans for a high degree of state control could be fulfilled. Neither of the two commercial banks, Bank of Valletta and Mid-Med Bank, formerly Barclays, have fared badly since nationalisation. Both participate considerably in government and private development projects and make healthy profits.

The Federation of Industry, which represents the private sector, is pressing for permission for private and foreign banks to operate in Malta. It believes that the present state controlled system is orientated too much towards saving and too little towards merchant banking and sophisticated investment services. The Government has in fact expressed an interest in modifying the structure and in developing Malta as a centre of off-shore banking.

Such a move could also benefit the insurance industry, which was taken largely into state ownership in 1981 when Middle Sea Insurance was formed to develop international markets. Gross premiums have risen from ML 500,000 in 1981 to ML 5.6m in 1985.

The Nationalists will be faced with a difficult tactical problem should they gain office. They are ideologically strongly opposed to state ownership and control, yet because of the interventionist policies of Mr Mintoff, the state plays a fundamental role in the Maltese economy.

It would be extremely difficult and politically and industrially divisive to attempt to dismantle the present system, and the chances are that peripheral rather than fundamental changes would be sought. The accent would be on increased competition and on making the state sector more efficient.

Richard Evans

Tourism contributes well over a quarter of the island's foreign exchange earnings

Target is a million a year

THE BIG publicity campaign to attract foreign visitors, especially Britons, to Malta has succeeded almost too well. The number of visitors increased by over 11 per cent last year and the indications are that 1987 will be an even better year.

Improvements in facilities and in the country's infrastructure are nearing completion and these should ensure that the tourist industry does not repeat the damaging experience of the late 1970s when a sudden boom took the authorities by surprise.

The recent improvement has been important for the Maltese economy as tourism contributes well over a quarter of the island's foreign exchange earnings. The slump in the early 1980s hit the economy hard.

The peak year for arrivals and receipts was 1980 when over 728,000 visited Malta or its sister islands of Gozo and Comino. This represented a doubling of tourists within three years and the Maltese were not ready for an increase on such a scale. Prices went up and quality went down; there was an acute shortage of water and electricity cuts were frequent.

In addition, Mr Dom Mintoff, then Prime Minister, appeared to relish offending the countries on which Malta depended for tourism, and the British, West Germans and others switched to Spain, Portugal and Greece in thousands.

Numbers slipped to 705,000 in 1981, slumped by 28 per cent in 1982 and continued to fall at a more modest rate in 1983 and 1984 when the low point of 479,000 was reached. The Maltese authorities realised that their holiday house had to be put in order and a series of reform programmes was set in hand.

Wages and prices were pegged to bring costs back in line with rival destinations and infrastructure programmes were instituted to ensure that a rise in the number of tourists could be met.

Virtually all the essential improvements, including better water supplies through desalinisation schemes and more reliable electricity supplies, have now been completed. Work is still in hand on the other main plank of the programme—to improve the quality of the island's tourist services.

Some areas, especially around Sliema, the largest town, are being zoned so that better facilities can be provided to attract bigger spenders. Yacht facilities are also being extended on Gozo.

There are ambitious plans for improvement to Valletta, the capital, with its splendid collection of palaces built by the Knights of St John, as part of a wider campaign to restore Malta's historic cities and archaeological sites such as Mdina, the former capital.

The effort to upgrade the pattern from the relatively low spending type of British tourist also includes plans for more cultural tours, marketing campaigns among selected target groups, and more international conferences — Malta is ideally situated between the European, Arab and African spheres of influence.

The campaign to attract more tourists really began to have an impact in 1985 when arrivals rose by 8 per cent, the first increase since 1980. The number of British fell slightly but there were big increases from Germany, from Belgium and, for special reasons, from Libya.

The increase of 138 per cent from Libya was caused by the flood of tourists, allowed in without passports, buying consumer durables not available in the home market. The total fell back sharply last year, however, because of the problems for the Libyan economy caused by the fall in oil revenues.

The overall increase in visitors last year was 11 per cent, with the British making up half the total of 573,000. The upward trend has continued this year with arrivals sharply up in January and February.

A differential exchange rate was introduced for British tour operators in 1984 and aircraft fuel costs were subsidised so that holidays could become more competitive. These moves have clearly succeeded in increasing the number of Britons visiting Malta but this in turn has brought its own problems.

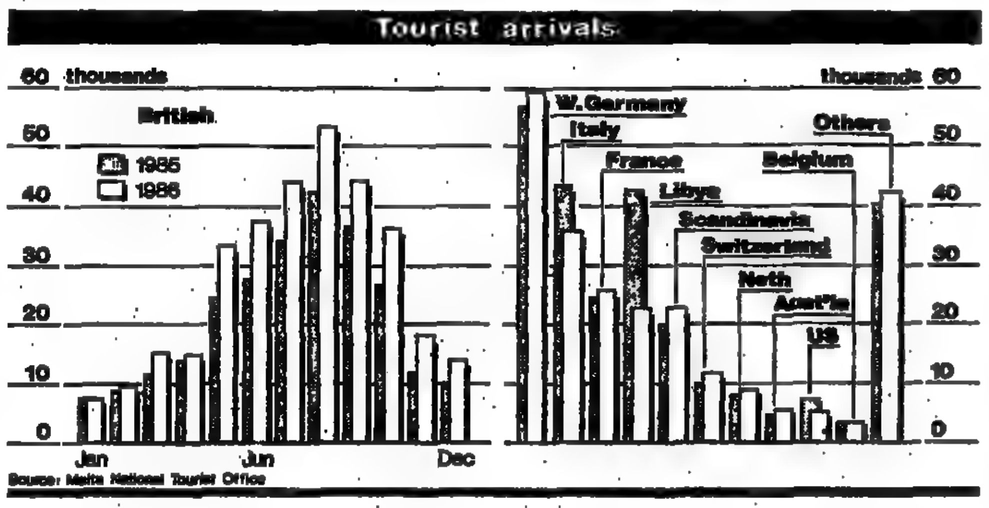
The Maltese authorities want to diversify tourist flows both as regards nationality and season. Too many tourists come in the peak summer months compared with the rest of the year, and there is too much reliance on one source of visitors, the UK.

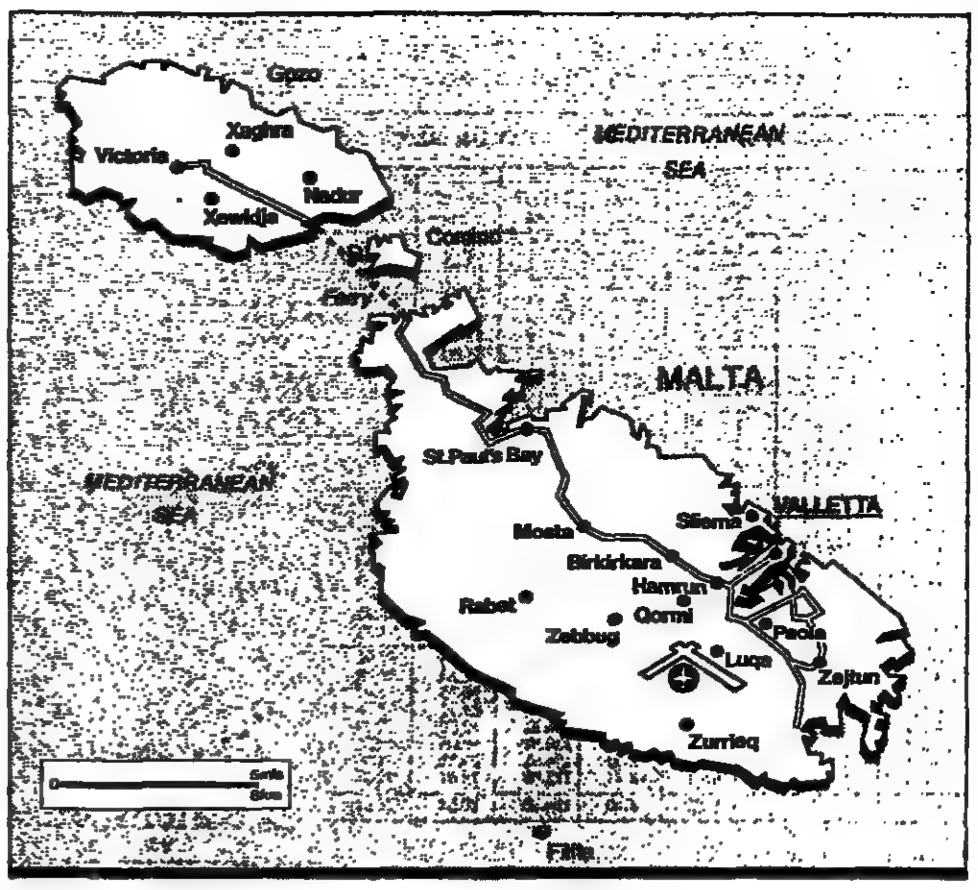
Statistics underline the continuing imbalance of traditional Maltese tourism. There are over six times more British visitors than West Germans, the next most numerous nationality.

Ideally the authorities would like to make Malta, with its historic sites and its mild climate, a winter resort for West Germans and other northern Europeans, leaving the British dominant in the summer when the Germans prefer the superior beaches of Spain and Greece.

The target is to get 1m tourists to Malta each year by the end of the decade which suggests that however keen the authorities might be to go more upmarket, package tours will continue to provide most of the business.

Richard Evans





Manufacturing

Success with foreign investment

EXPORT INDUSTRIES continued to recover last year with shipments inching forward by 10.9 Maltese lira (£19.3m) to ML180m (£360m).

The increase was made up largely of the delivery of vessels to China built by the government-owned Malta Shipbuilding Company. Improved exports of semi-manufactures amounted to only ML 4m, and, although plant utilisation has rocketed to around 85 per cent, exporters are still working for minimum returns. As a result they are not drawing the full benefits of the revival of the western European economies, where Malta's principal markets lie.

A number of leading trading partners have, moreover, slowed down their purchases from Malta. Britain last year purchased ML 3.3m worth of orders less than in 1985 while sales to Libya, probably as a result of the cancellation by the Maltese of an order for crude oil, declined by another ML 2m.

The Soviet Union, which has gradually become an important client for Malta, through two hefty countertrade deals, also bought ML 2m less of locally assembled goods than in 1985.

France, Italy and Germany all took a greater proportion of Maltese goods sold to the EEC than in previous years but industrialists remain circumspect, and are reluctant to undertake expansion before the recovery in Western Europe picks up further.

Last year another 33 new industrial ventures were launched with investments coming predominantly from western Europe. Italy's SGS-Ates, an exporter of electronic chips, is expanding into an additional 7,000 sq ft and will take on another 400 men The company already has two factories on the island which was seen as an ideal location for its specialised operation.

Since independence from Britain 23 years ago exports have played a pivotal role for Malta. Despite various start-up problems, which ranged from the need to create a modern industrial base to the absence of good maritime links with Europe and Africa, the Maltese have been remarkably successful in attracting foreign investment.

There are presently more than 400 industrial outfits operating on the island from western Europe, the US, Libya and Czechoslovakia, shipping a surprising range of goods including plastic products, chemicals, clothing, footwear, furniture, refrigerators, paints, electronic components, toys, aluminium products and now ships. Malta Shipbuilding has order books filled for seven years to come, its chairman, Mr Sidney Barbara, claims.

This success is due to the fact that the island has much more to offer than its size or history as an industrial zone would normally suggest.

Countertrade accords hammered out with the Soviet Union, an association agreement with the EEC which grants exports zero-rated tariffs, a preferred nation treaty signed with the US and warm political ties with China and most Middle Eastern states provide exporters with markets not immediately available to developing countries, certainly not in southern Europe or north Africa.

"We have captive markets but we need a much wider assortment of products to offer. What do you do when a country like the Soviet Union offers you a big countertrade deal and the list of goods you're producing is not long enough?" points out Mr Sonny Borg, head of Malta's development corporation whose officials are constantly scouring Europe and the US in search of entrepreneurs.

Malta is able to offer political stability, in the main undisturbed by industrial strife. Wages are far lower than those paid by industrialised countries and the island's labour force is widely perceived to be productive and highly trainable.

With industry displaying lacklustre results, however, Malta last year stepped up its inducements package in the hope of increasing exports and attracting new investors. Commercial banks cut down lending rates to 7 per cent, rents for Government factories were also cut, from 8 per cent to 3 per cent of total cost.

Currency fluctuation schemes—disguised subsidies amounting to 3 per cent—were handed out to those producing for markets where the Maltese lira has found it hard to compete. Restrictive fiscal impositions, notably unilateral assessments of profit by the tax office, have stopped.

As a result, confidence among investors is rising, Mr Louis Farrugia, head of the ML 12m brewery complex and a founder member of the Confederation of Private Enterprise (COPE) claims.

"There is no longer an aggressive stance by the authorities towards the private sector. Lessons have been learnt and as a result confidence is on the increase," he says.

The Federation of Industry (FOI), nevertheless, still wants a less hardened Maltese lira with which to compete for exports overseas. The federation has also joined the argument over whether the island should apply for entry into the European Common Market or not.

"We want banks to be more sensitive to the needs of manufacturers and there should be a credit insurance guarantee," argues Mr John Parnis England, the FOI chairman.

"Most of all we feel Malta should join the Common Market. We have much to gain from becoming a part of such a huge market," he insists.

Opposition and Nationalist Party leader, Dr Eddie Fenech Adami whose party has studied the implications of joining the EEC, says, on balance, manufacturing industry would gain from such a move, and in consequence the whole island would be better off.

The Prime Minister, Dr Carmelo Mifsud Bonnici, on the other hand believes conditions could never be right for Malta and insists it would be suicidal if the island were to become a member.

Clearly Malta needs to revive its exporting performance to the levels of a decade ago. Increased Government backing and a more enthusiastic upgrading of the industry, as opposed to such radical steps as joining the EEC may, however, in the immediate term prove adequate.

Godfrey Grima

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of stocks per grouping	FRIDAY APRIL 3 1987 — US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	DOLLAR INDEX — 1986/87 High	1986/87 Low	Year ago
Australia (94)	126.79	+2.9	116.47	118.82	2.92	126.79	70.18	86.72
Austria (16)	93.43	+1.6	85.83	88.05	1.81	101.62	70.60	74.93
Belgium (47)	117.71	+1.6	108.13	109.44	4.23	118.92	53.75	73.61
Canada (131)	134.24	+1.7	123.31	127.14	2.25	134.35	86.58	97.04
Denmark (39)	113.28	+0.6	104.05	105.65	2.35	124.10	87.87	97.46
France (122)	119.94	+1.1	110.17	113.82	2.27	120.79	57.72	80.63
West Germany (90)	94.70	−0.3	86.99	89.50	2.08	100.33	74.48	82.86
Hong Kong (45)	106.36	−1.1	97.70	106.53	3.17	114.71	62.87	65.65
Ireland (14)	122.85	+0.6	112.85	117.56	3.60	131.44	62.33	82.93
Italy (76)	103.90	+0.6	95.44	100.49	1.56	108.30	46.07	78.70
Japan (458)	134.45	+0.7	123.50	123.83	0.52	134.45	49.46	67.44
Malaysia (36)	133.36	+1.6	122.50	128.76	2.78	135.38	66.67	73.99
Mexico (14)	157.12	+2.4	144.33	193.35	1.05	157.12	43.00	55.06
Netherland (38)	114.95	+0.2	105.59	107.50	4.10	114.95	74.14	82.02
New Zealand (27)	95.19	+0.9	87.44	88.21	3.05	100.59	47.37	62.15
Norway (25)	125.59	+0.8	115.37	116.13	2.09	127.09	90.02	100.36
Singapore (27)	119.88	+1.0	110.12	118.03	3.15	122.51	55.94	57.69
South Africa (61)	161.77	−2.8	148.60	110.52	3.71	175.51	69.06	100.03
Spain (43)	109.70	+0.6	100.76	105.83	3.84	121.31	45.00	74.09
Sweden (33)	113.21	+1.1	103.99	106.13	2.25	115.19	63.35	82.50
Switzerland (51)	99.79	+1.4	91.66	93.66	1.80	104.06	69.01	77.49
United Kingdom (342)	128.42	−0.4	117.97	117.97	3.58	133.88	75.39	99.94
USA (598)	122.53	+1.5	112.56	122.53	2.96	124.06	85.46	97.78
Europe (936)	114.30	+0.1	104.99	106.75	2.93	115.20	69.36	87.96
Pacific Basin (687)	133.08	+0.7	122.25	122.95	0.69	133.08	51.10	68.02
Euro—Pacific (1623)	125.59	+0.5	115.37	116.47	1.50	125.59	58.45	75.87
North America (729)	123.15	+1.5	113.13	122.80	2.92	124.60	85.61	97.74
World Ex. US (1829)	126.31	+0.5	116.03	116.87	1.56	126.31	60.02	76.87
World Ex. UK (2085)	124.51	+1.0	114.37	119.27	1.95	124.51	69.65	83.69
World Ex. So. Af. (2366)	124.61	+0.9	114.46	119.18	2.08	124.61	69.95	84.98
World Ex. Japan (1969)	120.28	+1.0	110.49	116.80	2.94	121.08	79.87	93.51
The World Index (2427)	124.85	+0.9	114.68	119.13	2.10	124.85	70.14	85.07

Base values: Dec 31, 1986 = 100
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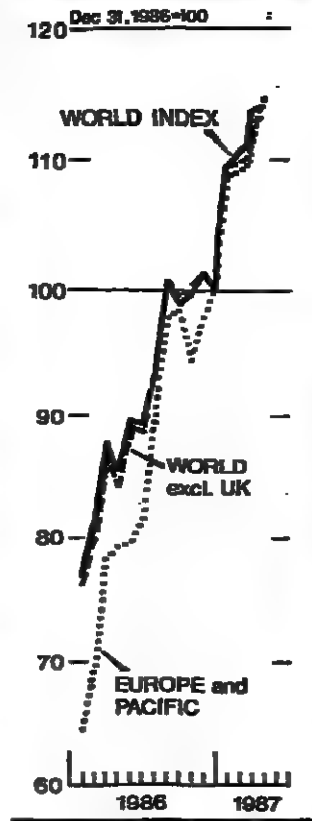
3.00 p.m. New York prices.

FT-ACTUARIES WORLD INDICES



EUROPEAN OPTIONS EXCHANGE

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TOTAL VOLUME IN CONTRACTS: 38,473

A=Ask B=Bid C=Call P=Put

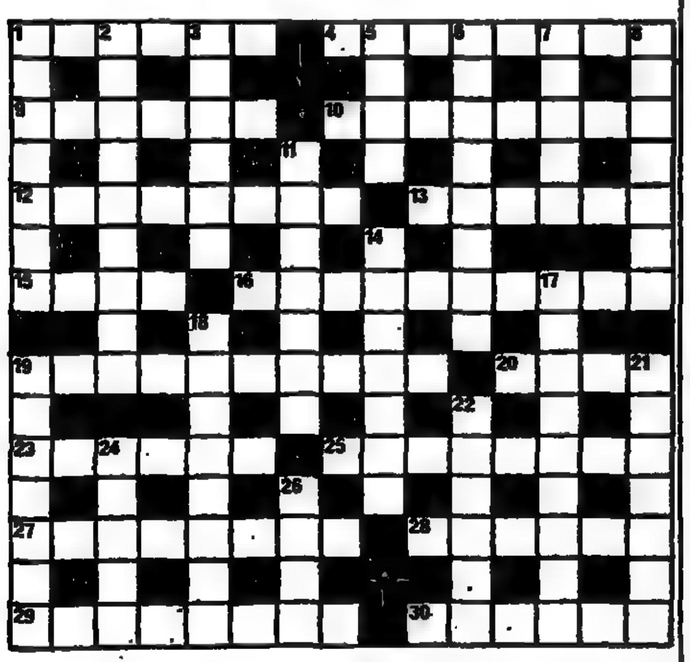
BASE LENDING RATES

	%		%		%
ABN Bank	10	● Charterhouse Bank	10	● Morgan Grenfell	10
Adam & Company	10	Citibank NA	10	Mnt Credit Corp. Ltd	10
Allied Arab Bk Ltd	10	Citibank Savings	‡12.45	Nat Bk. of Kuwait	10
Allied Dunbar & Co	10	City Merchants Bank	10	National Girobank	10
Allied Irish Bank	10	Clydesdale Bank	10	Nat Westminster	10
American Exp. Bk	10	Comm. Bk. N. East	10	Northern Bank Ltd	10
Amro Bank	10	Consolidated Cred	10	† Norwich Gen. Trust	10
Henry Ansbacher	10	★ Co-operative Bank	10	PK Finans. Intl (UK)	10½
ANZ Banking Group	10	Cyprus Popular Bk	10	Provincial Trust Ltd	11
Associates Cap Corp	11	Duncan Lawrie	10	R. Raphael & Sons	10
Authority & Co Ltd	10½	E.T. Trust	11	Roxburghe Guarantee	10½
Banco de Bilbao	10	Equatorial Tst C'p plc	10	Royal Bk of Scotland	10
Bank Hapoalim	10	Exeter Trust Ltd	10½	Royal Trust Bank	10
Bank Leumi (UK)	10	Financial & Gen. Sec	10	Standard Chartered	10
Bank Credit & Comm	10	First Nat. Fin. Corp	11	Trustee Savings Bank	10
Bank of Cyprus	10	First Nat. Sec. Ltd	11	UDT Mortgage Exp.	¶12.25
Bank of Ireland	10	● Robert Fleming & Co	10	United Bk of Kuwait	10
Bank of India	10	Robert Fraser & Ptrs	11½	United Mizrahi Bank	10
Bank of Scotland	10	Grindlays Bank	§10	Unity Trust PLC	9½
Banque Belge Ltd	10	● Guinness Mahon	10	Westpac Banking Corp	10
Barclays Bank	10	HFC Trust & Savings	10	Whiteaway Laidlaw	10½
Benchmark Tst Ltd	10	● Hambros Bank	10	Yorkshire Bank	10
Beneficial Trust Ltd	11	Heritable & Gen. Tst	10		
Berliner Bank AG	10	● Hill Samuel	§10		
Brit. Bk. of Mid. East	10	C. Hoare & Co	10		
● Brown Shipley	10	Hongkong & Shangh'	10		
Business Mortgage Tst	10	Lloyds Bank	10		
CL Bank Nederland	10	Mase Westpac Ltd	10		
Canada Permanent	10	Meghraj & Sons Ltd	10		
Cayzer Ltd	10	Midland Bank	10		

● Members of the Accepting Houses Committee. ★ 7-day deposits 5.35%. Sureseine 8.03%. Top Tier—£2,500+ at 3 months' notice 9.38%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 5¼% gross. ¶ Mortgage base rate. § Demand deposit 5.35%. Mortgage 11.25%.

F.T. CROSSWORD PUZZLE NO. 6,296

HIGHLANDER



ACROSS

1 Firm support for office equipment (6)
4 Works on article inside—it's no good on the lawn! (8)
9 Very large game bird (6)
10 Every one takes thing off from dusk to dawn (3,5)
12 For example convert any pit that's African (8)
13 A terrorist group takes on medical man to create confidence (6)
15 Soon there'll be a refusal from Chirac (4)
16 Italian damages—see payment enclosed (10)
19 Speculate as a mug: seek variety (4,1,5)
20 This left middle section surrounded by water (4)
23 Put into ordinary language, fish in the river (6)
25 Submissive note indicated (8)
27 Using fresh flowers sounds almost an obsession (8)
28 Rush job? (6)
29 Barney kept most of sum in old silver (8)
30 Coloured optic contains the inferior whisky (6)

DOWN

1 Infection caught over first part of holiday period (7)
2 Flower set up right in rubbish (9)
3 They take place in fist on back street (6)
5 Beat till disoriented (4)
6 A number crop up during game of bowls (8)
7 Agog—devastated—about right's belligerent behaviour (5)
8 Well-known incompetent (7)
11 Leave the ranks to squabble (4,3)
14 New student is not so jaded (7)
17 In wickedness, prophet said, it's not genuine (9)
18 Tie up, tie everything up where naval officers bang out (8)
19 Very enthusiastic about an inverted type of lily (7)
21 Wind up with another sore back (7)
22 Denunciation puts one in business (6)
24 Cold, needing respiratory equipment, but held on (5)
26 Appearence is shabby, one hears (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

MGM Unit Managers Ltd
MGM House, Heene Rd, Worthing 01-623 8212

High Inc.	271.5	288.9	-2.2	5.89
(Accum Units)	336.4	357.8	-2.7	5.03
UK Growth	333.0	354.2	-0.8	2.59
(Accum Units)	354.8	377.4	-0.9	2.59

MLA Unit Trust Management
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 674751

MLA Gen. Tst.	40.0	42.4	(2)	1.76
MLA Income Trust	54.4	57.4	(2)	3.90
MLA Int.	61.8	65.5	(2)	0.80
MLA Gilt Unit Tst.	25.1	25.8	(2)	10.07
MLA European Trust	35.0	37.0	(2)	0.67
MLA American Tst.	27.8	29.4	(2)	0.85
MLA Emerging Mkts. Tst.	—	25.0	(2)	0.70

ManuLife Management Ltd
St George's Way, Stevenage 0438 356101

Gilt&Fxd Int.	118.0	122.9	—	7.12
Growth Units	97.0	103.1	—	2.61
High Income Unit	137.4	146.0	—	5.07
High Yielding Gilt Uts	61.0	63.1	—	8.04
Intl Growth Unit Tst	154.6	164.5	—	0.35
UK Smaller Cos.	105.5	112.1	—	2.63
North American	84.0	89.3	—	0.40
Far East	127.6	135.6	—	0.02

Mayflower Management Co Ltd
No. 1 London Bridge, London, SE1 9QU 01-378 7000

Income March 30	310.5	330.9	—	3.58
General March 30	244.2	259.8	—	1.89
International March 30	153.5	163.3	—	0.65
Global Inc Fd March 30	49.6	52.8	—	5.15

Mencap Unit Trust Mngrs Ltd (a)(c)(g)
Unicorn Hse, 252 Romford Rd, E7 01-534 5544

Mencap	120.0	125.8	—	4.07

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames 0491 576868

International Growth	309.8	330.7	-.9	0.96
Income	227.0	242.8	-2.4	3.70
Worldwide Recovery	166.7	178.0	-1.5	1.61
American Growth	77.0	82.3	-.1	0.87
Intl. Emerging Cos.	95.1	101.6	-.3	0.71
Far East Growth Fd.	97.1	103.7	-.3	0.77
European Growth Fd.	64.0	68.4	—	1.88

Prolific Unit Trust Managers Limited.
222 Bishopsgate, London EC2 01-247 7544

Prolific American Inc.	40.3	44.2	(2)	3.74
Prolific C'ert & Gilt	115.3	122.7	(2)	6.85
Prolific Euro Gth&Inc	51.4	54.7	(2)	7.62
Prolific Extra Inc.	114.8	122.4	(2)	3.62
Prolific Far East	203.9	218.1	(2)	—
Prolific High Inc.	79.1	84.6	(2)	3.31
Prolific Intl.	144.9	155.8	(2)	3.11
Prolific N. Amer.	136.9	146.5	(2)	—
Prolific Spec. Sits.	93.9	100.5	(2)	0.80
Prolific Technology	141.5	151.4	(2)	—

Providence Capital Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG 01-749 9111

Japan Inc.	95.1	101.2	+0.7	0.00
Japan Acc.	95.3	101.4	+0.7	0.00
Worldwide Inc.	78.1	82.7	-0.6	1.08
Worldwide Acc.	79.5	84.2	+0.4	1.08
European Tst Inc.	95.4	101.2	+0.3	0.55
European Tst Acc.	96.2	101.9	+0.3	0.55
North American Inc.	66.3	70.6	-0.5	1.20
North American Acc.	67.2	71.5	-0.6	1.20
UK Equity Inc.	79.6	84.7	-0.7	1.92
UK Equity Acc.	81.1	86.6	-0.4	1.92
UK High Inc Eqty Inc.	58.2	61.9	-0.2	4.82
UK High Inc Eqty Acc.	59.3	63.1	-0.2	4.82
Hong Kong Trust	44.4	47.3	-0.5	0.58
Swiss Equities Trust	45.9	48.7	+0.2	1.09

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

Noble Lowndes & Partners Ltd
PO Box 144, Croydon 01-686 2466

Lowndes (Ctrl. Med. Hz)	113.7	119.7	+0.5	—
Lowndes (Scot. Eqd.)	111.1	126.3	+0.5	—

The Normaster Group
71, London Rd, Peterborough, PE2 9BB 0733 42200

Mngd. Scot. Mut.	119.9	126.3	—	—
Pen. Scot. Mut.	111.1	117.0	-0.2	—
Man-Schroder	109.0	114.7	-0.5	—
Pen Man-Schroder	113.1	119.5	+0.9	—
Man. Target	119.7	126.1	+0.9	—
Pen. Man. Target	59.4	62.6	+0.7	—

O'Halloran & Co/Countrywide
c/o 41, Broadway, Peterborough, PE1 1SJ 0733 44800

Managed Fd	124.1	130.7	—	—

PBR Fund Management Ltd.
146a Queen Victoria St, EC4V 5AP 01-236 4070

Fixed-Bond	146.9	154.4	—	—
Fixed Pension Bond	137.9	144.9	—	—
Managed Bond		112.2	—	—
Managed Pension		116.1	—	—

The Porchester Group
91 Wimpole Street, London W1M 7DA 01-493 9090

Porchester Managed Funds				
Albany (z)	121.7	128.1	+0.9	—
Cornhill (z)	107.8	113.6	—	—
Irish Life (z)	121.6	128.1	—	—
Royal Heritage (z)	106.0	111.6	+1.5	—
Schroder (z)	102.1	107.4	+1.0	—
Skandia (z)	123.0	129.4	-0.2	—
Target (z)	125.3	131.9	+0.5	—
Trident (z)	118.5	124.9	-0.8	—
Porchester Managed Pension Funds				
Albany (z)	136.5	143.8	+1.5	—
Schroder (z)	100.7	106.0	—	—
Skandia (z)	131.3	138.2	-0.3	—
Target (z)	119.5	125.8	+0.2	—

Managed by Porchester Securities Limited

Sharp (Albert E.) & Co
12 Newhall Street, Birmingham B3 3ER 021-236 5801

Man-Clerical Med	130.7	137.6	—	—
Pens. Man-Schroder	520.5	547.9	+4.2	—

Towry Law & Co
57 High St, Windsor, SL4 1LX 0753 868244

Albany Life				
Clerical & Medical (z)	109.2	115.0	+0.6	—
Guardian Royal Exch.	101.0	106.4	+1.2	—
M&G Ass. (Life)	117.3	123.3	—	—

Brown Shipley Fund Mgmt (CI) Ltd
PO Box 583, St Helier, Jersey 0534 74777

Butterfield Management Co Ltd
PO Box 195 Hamilton, Bermuda

CAL Investments (IoM) Ltd
16 St Georges Street, Douglas, IoM

CBC Asset Management Limited
PO Box 208, St Peter Port, Guernsey

Far East Class	$16.41	17.24	—	—
International Class	$13.70	14.38	—	—

Capital International
43 Boulevard Royal, Luxembourg

Cater Allen Investment Management (CI)
28a Broad St, St Helier, Jersey, CI

Charterhouse Bank
1 Paternoster Row, London EC4

Charterhouse Fund Mngt. (C.I.) Ltd
Charterhouse Bldg, Bath St, Jersey 0534 79482

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
1 Nov	1 May	Funding 6¼pc 85-87	99[illegible]	25.9	6.52	10.22
12Dec	12Jne	Treas. 10pc 1987	100	18.12	10.00	9.77
14Jan	14Jly	Treas 3pc 1987	98[illegible]	8.12	3.04	7.46
3May	3Nov	Treas. 12pc 1987	101[illegible]xd	29.9	11.82	9.21
26 Jul	26 Jan	Treas 7¾pc 1985-88‡‡	98[illegible]	22.12	7.83	9.12
10Nov	10May	Exch 10½pc '88	101¼xd	6.10	10.57	9.27
14Dec	14Jun	Treas 9¾pc Cv '88	100[illegible]	18.12	9.71	9.37
1Jan	1Jul	Transport 3pc '78-88	95[illegible]	25.11	3.14	6.93
25 Apr	25 Oct	Treas. 9½pc '88	100[illegible]xd	18.9	9.48	9.37
22 Aug	22 Feb	Treas 11½pc 1989	103[illegible]	16.1	11.09	9.31
18 Oct	18 Apr	Treas 9½pc Cnv 1989	100[illegible]xd	11.9	9.46	9.28
15Nov	15May	Treas 3pc 1989	92¼	9.10	3.25	6.95
14Dec	14Jun	Treas 10½pc 1989	102[illegible]	18.12	10.27	9.33
1Feb	1Aug	Exch 10pc 1989	101[illegible]	29.12	9.86	9.32
29 Mar	29 Sep	Exch 11pc 1989	103¼	26.8	10.61	9.26
15 Apr	15 Oct	Treas 5pc 1986-89	93[illegible]xd	18.9	5.36	7.97
15 May	15 Nov	Exch 10½pcCv '89	103[illegible]	9.10	9.86	8.51
15 Jul	15 Jan	Treas 13pc 1990‡‡	109[illegible]	9.12	11.88	9.07
12 Aug	12 Feb	Exch 11pc 1990‡‡	104[illegible]	6.1	10.53	9.17
22 Sep	22 Mar	Exch. 12½pc 1990	108½	18.8	11.52	9.14
8 Nov	8 May	Treas. 3pc 1990	89[illegible]	2.10	3.37	7.02
15 Dec	15 Jun	Treas 8¼pc 1987-90‡‡	98[illegible]	18.12	8.39	8.84
25 Apr	25 Oct	Treas. 10pcCv 1990	102[illegible]xd	18.9	9.76	9.18
22 May	22 Nov	Exch 2½pc 1990	86[illegible]	16.10	2.90	6.82
10 July	10 Jan	Treas 11¾pc 1991	108	4.12	10.89	9.19
5Oct	5Apr	Funding 5¾pc '87-91‡‡	93[illegible]xd	1.9	6.17	7.78
13 Nov	13 May	Treas. 3pc 1991	86	—	3.49	6.98
12Jan	12July	Treas 10pc Cv '91	105[illegible]	8.12	9.48	8.45
25Apr	25Oct	Exch. 11pc 1991	106[illegible]xd	18.9	10.31	9.16
22Jly	22Jan	Treas 12¾pc 1992‡‡	113¼	16.12	11.21	9.14
21Aug	21Feb	Treas 10pc 1992	103[illegible]	15.1	9.71	9.20

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

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INT. BANK AND O'SEAS GOVT STERLING ISSUES

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COMMONWEALTH & AFRICAN LOANS

LOANS

FOREIGN BONDS & RAILS

FOREIGN BONDS & RAILS—Contd

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
Oc Ja Ap Jly	Sara Lee $1	28½xd	24.12	$2.00	—	4.5
Mr Ju Se De	Saul (B. F.) $1	18	13.1	20c	—	1.2
Fb My Ag No	Southwestern Bell $1	72	6.1	$6.96	—	6.3
—	Staley Continental	16⅞	—	80c	—	3.1
Mr Ju Se De	Sun Co. Inc. $1	43⅝xd	5.11	$3.00	—	4.5
Ma Ju Se Dec	TRW Inc. $1¼	64xd	10.2	$3.20	—	3.2
Mr Ju Sp De	Tenneco $5	30⅞	4.11	$3.04	—	6.5
June Dec	Do. 10pcLn.Stk. 91-5	184xd	24.11	10%	—	5.7
Mr Je Se De	Texaco $6.25	25xd	31.7	$3.00	—	8.3
Mr Ju Se De	Time Inc. $1	53	22.8	$1.00	—	1.2
Ja Ap Jy Oc	Tracor $0.33	12	16.9	36c	—	1.8
Ja Ap Ju Oc	Transamerica $1	20xd	31.3	$1.76	—	5.5
Fe My Au No	Transworld Corp $5	10	11.11	20c	—	1.2
—	Trinova Corp.	41½	—	$1.40	—	2.2
Mr Je Se De	USX $1	17½	30.10	$1.20	—	4.4
Ag Nv Fb Ja	Union Carbide $1	17	4.11	$1.50	—	5.7
Mr Jn Sp De	Utd. Technologies	31	16.2	$1.40	—	2.9
Fb My Ag No	US West	35⅞	21.10	$3.04	—	5.8
Mr Je Se De	Woolworth $3½	31	19.11	$1.12	—	2.3

CANADIANS

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
—	Abbot Energy Corp.	21½p	—	—	—	—
—	Amer. Barrick Res.	19½	—	—	—	—
—	Aramco	74p	—	—	—	—
Fb My Ag Nv	Bk. Montreal	15⅞	24.11	$2.00	—	6.0
Ja Ap Ju Oc	Bk. Nova Scot.	886p	12.1	72c	—	3.9
Ap Jy Oc Ja	BCE	28⅞	10.9	$2.40	—	5.7
May Nov	Bow Valley	868p	15.12	10c	—	0.6
Ja Ap Jy Oc	Brascan	17⅞	28.10	88c	—	2.4
—	Breakwater Res.	452p	—	—	—	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

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INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES—Continued

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LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

FINANCE, LAND—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Continued

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

[illegible]

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	35	NEI	8
Amstrad	16	Nat West Bk	55
BAT	47	P & O Dfd	55
BOC Grp	42	Plessey	20
BSR	12	Polly Peck	20
BTR	30	Racal Elect	20
Babcock	19	RHM	30
Barclays	47	Rank Org Ord	55
Beecham	48	Reed Intnl	42
Blue Circle	62	STC	20
Boots	25	Sears	12
Bowaters	37	TI	55
Brit Aerospace	58	TSB	8
Brit. Telecom	20	Tesco	42
Burton Ord	23	Thorn EMI	50
Cadburys	22	Trust Houses	20
Charter Cons.	30	Turner Newall	24
Comm Union	29	Unilever	150
Courtaulds	35	Vickers	55
FNFC	20	Wellcome	50
Gen Accident	80	**Property**	
GEC	18	Brit Land	17
Glaxo	120	Land Securities	30
Grand Met	40	MEPC	32
GUS 'A'	100	Peachey	30
Guardian	85	**Oils**	
GKN	30	BOM	$3\frac{1}{2}$
Hanson Tst	15	Brit Petroleum	60
Hawker Sidd	50	Burmah Oil	38
ICI	80	Charterhall	4
Jaguar	52	Premier	4
Ladbroke	40	Shell	75
Legal & Gen	25	Tricentrol	11
Lex Service	35	Ultramar	17
Lloyds Bank	48	**Mines**	
Lucas Inds	58	Cons Gold	65
Marks & Spencer	18	Lonrho	24
Midland Bk	55	Rio T Zinc	65
Morgan Grenfell	35		

A selection of Options traded is given on the London Stock Exchange Report Page.

WORLD STOCK MARKETS

AUSTRIA

1986/87 High	Low	April 3	Price Sch
2,650	1,990	Credit'nst'lt pp	2,090
3,650	2,850	Goesser	3,025
16,000	12,700	Interunfall	12,750
21,750	8,000	Jungbunzlauer	8,980
2,475	1,995	Laenderbank	1,945
795	560	Perlmooser	695
211	140	Steyr Daimler	142
12,50	840	Veitscher Mag	860

BELGIUM/LUXEMBOURG

1986/87 High	Low	April 3	Price Frs.
3,500	2,290	B.B.L.	3,150
16,550	9,600	Banq. Gen. Lux.	16,400
17,000	9,400	Banq. Int.A.Lux.	14,600
14,500	8,250	Bekaert	10,950
5,450	2,640	Ciment CBR	5,210
195	120	Cockerill	138
5,465	1,662	Delhaize	5,370
5,420	3,580	EBES	5,380
2,700	1,645	Fabrique Nat.	1,560
1,250	358	GB Inno BM	1,040
4,525	2,695	GBL (Brux)	3,750
6,810	4,310	Generale Bank	6,800
6,850	4,750	Gevaert	6,750
8,150	5,700	Hoboken	7,140
4,430	2,860	Intercom	4,290
4,680	2,450	Kredietbank	4,680
11,650	9,900	Pan Holding	11,350
10,525	6,050	Petrofina	10,400
29,488	17,200	Royale Belge	24,565
3,690	2,120	Soc. Gen. Belge	3,480
14,950	7,710	Sofina	14,150
10,475	6,050	Solvay	10,275
585	185	Stanwick Intl.	430
7,190	4,575	Tractebel	7,190
10,300	5,300	UCB	9,800
6,200	3,705	Wagons Lits	5,810

DENMARK

1986/87 High	Low	April 3	Price Knr. %
970	510	Baltica Skand.	575
348	255	Cop Handelsb'nk	262
470	318	D. Sukkerfab.	323
381	259	Danske Bank	333
298	160	East Asiatic	177
1,240	850	Forenede Brygg.	850
565	255	GNT Hld.	260
860	505	I.S.S.S.	765
840	450	Jyske Bank	510
288	218	Novo Inds	265
339	229	Privatbanken	267
1,060	665	Sophus Berend.	805
331	119	Superfos	203

FINLAND

1986/7 High	Low	April 3	Price Mks
229.5	100	Amer	225
55	43.75	KOP	50.25
275	175	Kone	209.5
172.5	87.2	Finnish Sugar	99.75
179	65.6	Nokia	170.5
233	57.5	Pohjola "B"	92.55
25.5	14	Sauuna-Repola	22.75
265	94	Stockmann "B"	208
39	26.4	UBF "C"	34.80
240	120	Wartsila (S11)	206.5

GERMANY

1986/7 High	Low	April 3	Price Dm.
380	265	AEG	312.5
2,875	1,190	Allianz Vers.	1,805
331.5	259	BASF	276
350	262.5	Bayer	318.5
686	400	Bayer-Hypo	457
675	399	Bayer-Verein	457
592	399	BHF-Bank	440
645	455	BMW	643
348	232.5	Brown Boveri	316.5
377.5	247.5	Commerzbank	280
365.2	205	Cont'l Gummi	353.2
1,253	863	Daimler-Benz	1,032
534	357	Degussa	492
241.5	168	D'sche Babcock	212
920	605	Deutsche Bank	686
506	300	Dresdner Bank	358
345	267	Feld-Muehle	292
504	380	Henkel	496.5
1,300	690	Hochtief	765
327	252	Hoechst	278
201	88.5	Hoesch Werke	111.5
660	410	Holzmann (P)	440
262.5	168	Horten	250
660	495	Hussel	575
580	318	Karstadt	429.2
664	350	Kaufhof	479.5
393	142.1	KHD	151
125	65	Kloeckner	66.5
850	579	Linde	677
311.5	155	Lufthansa	161
247	140	MAN	164
312.8	142.1	Mannesmann	176
1,874	755	Mercedes Hld.	985
480	250	Metallgesell	299
4,360	1,135	Munich Rueck	1,975
775.6	548	Nixdorf	775
1,420	797	Porsche	889
297	145	Preussag	155
375	155.5	Rhein West Elect	232
455	259	Rosenthal	255
691	514	Schering	595
826.5	580.5	Siemens	714
198	107.7	Thyssen	122
417	230	Varta	340
346	235.5	Veba	276.5
202	132.5	V.E.W	162
550	392	Verein-West	487
594	312	Volkswagen	362.5

SWEDEN

1986/7 High	Low	Apr. 3	Price Kroner
235	142	AGA	185
305	245	Alfa-Laval B	305
385	205	ASEA (Free)	320
670	370	Astra (Free)	620
252	140	Atlas Copco	170
230	136	Ba iler A (Free)	175
310	153	Cardo (Free)	175
355	159	Cellulosa	333
344	194	Electrolux B	307
299	189	Ericsson B	253
165	113	Esselte	143
320	178	Mo och Domsjo	300
252	167	Pharmacia	215
890	495	Saab Scania Free	705
955	135	Sandvik	159
615	108	Skandia	165
141	104	Skan Enskilda	124
388	289	SKF	350
345	157	Stora Kopparbrg	340
475	140	Sven Handlesbnk	440
475	220	Swedish Match	446
435	251	Volvo B (Free)	311

FRANCE

1986/7 High	Low	April 3	Price Frs.
1,811	1,475	Emprunt 4½% 1973	1,575
9,550	7,190	Emprunt 7% 1973	8,070
593	298	Accor	561
946	608	Air Liquide	760
866	608	BIC	855
—	—	BNP	1,280
2,851	1,510	Bongrain	2,790
1,470	909	Bouygues	1,451
5,390	3,730	BSN Gervais	5,260
5,005	1,568	CIT Alcatel	2,990
3,898	2,212	Carrefour	3,830
748	458	Club Mediter'n	693
1,155	726	Cie Bancaire	633xo
468	347.5	Cofimeg	383.9
2,970	1,721	Damart	2,970
545	216	Darty	507
2,560	1,050	Dumez S.A.	2,395
1,688	877	Eaux (Cie Gen)	1,525
373	196	Elf-Aquitaine	341.6
3,900	2,000	Essilor	3,570
1,380	714	Gen.Occidentale	1,341
124.7	51.1	Imetal	119
1,679	745	Lafarge Coppee.	1,679
4,515	2,806	L'Oreal	4,515
5,950	2,640	Legrand	5,820
350	133	Maisons Phenix	152.1
2,775	1,480	Matra S.A.	2,700
3,570	1,725	Michelin B	3,570
6,690	1,435	Midi (Cie)	1,509
2,690	1,735	Moet Hennessy	2,392
119	54.7	Moulinex	108
241	155.1	Nord Est	205.3
1,265	807	Pernod Ricard	1,100
845	461	Perrier	800
497	296	Petroles Fra.	497
1,500	612	Peugeot S.A.	1,495
787	417	Printemps (Au)	787
1,758	421	Radiotech.	1,655
3,600	1,805	Redoute	3,075
1,925	1,105	Roussel-Uclaf	1,833
587	390	Sefimeg	457
1,560	1,100	Skis Rossignol	1,515
3,855	2,640	Telemec Elect	3,435
1,754	622	Thomson (CSF)	1,725
643	348	Valeo	578

SPAIN

1986/7 High	Low	April 3	Price Pts %
1,680	415	Bco Bilbao	1,490
1,155	347	Bco Central	1,045
550	207	Bco Exterior	460
630	207	Bco Hispano	590
1,900	439	Bco Popular	1,580
1,220	420	Bco Santander	1,130
2,000	595	Bco Vizcaya	1,754
910	413	Banesto	685
750	155	Dragados	692
148	70	Hidrola	71.7
201	101.5	Iberduero	107.7
565	172	Petroleos	484.5
228.5	126.5	Telefonica	165.5

NETHERLANDS

1986/7 High	Low	April 3	Price Fls
68	44.6	ACF Holding	63.5
123.2	78	AEGON	90.6
118	69.5	Ahold	108.2
181.9	128.4	AKZO	137
638	485	ABN	522
93.8	62.7	AMEV	70.9
117	78.5	AMRO	83.5
260	50	Bredero Cert.	217
61.9	33.7	Buehrmann-Tet.	62
280	156.8	Dordtsche Pet'm	235
281	164	Elsevier-NDU	260
98.6	46.5	Fokker	43.5
60.8	38.5	Gist Brocades	53.5
189.5	146	Heineken	171.5
118	29.8	Hoogovens	34.2
75	52.9	Hunter Doug N/V	53.5
35	16.7	IHC Caland	23.7
85.5	59.5	Int Mueller	65
56.8	36.1	KLM	42
171.5	118.7	KNP	149.7
89.5	69.7	Nat Ned Cert.	75.8
255.5	154	Ned Mid Bank	168.5
219.9	157	Nedlloyd	175.3
553.5	378.5	Oce Grinten	400
39.5	30.4	Ommeren (Van)	38.8
92.5	50.0	Pakhoed	70.3
65.7	43	Philips	50
108.7	92.9	Robeco	108.7
143.4	132.2	Rodamco	142.7
91.6	72.2	Rolinco	91
51.5	46.6	Rorento	51
249	164.8	Royal Dutch	245
585.5	547.7	Unilever	555.5
32.3	25	VMF Stork	27
356.3	270.5	VNU	335
84.6	59.7	Wessanen	65.3
129.5	105.5	Wolters Samson	122

NORWAY

1986/7 High	Low	April 3	Price Kroner
204	142	Bergens Bank	157
290	245.5	Borregaard B	280
220	151.5	Christiania Bank	184
191	146	Den Norske Cred	153.5
121	95	Elkem	95
197.5	131	Kosmos	145.5
195	120	Kvaerner	190
156.2	95	Norcem	137.5
280	176	Norsk Data	249
179	122	Norsk Hydro	179
477.5	324	Orkla-Borregaard	457
349	255	Storebrand	349

SOUTH AFRICA

1986/7 High	Low	April 3	Price Rand
4.3	1.8	Abercom	3.9
17.75	8.90	AE&CI	17.75
110	52	Allied Tech	110
60.50	28.75	Anglo Am Coal	59.00
75	37	Anglo Am. Corp.	72
380	205	Anglo Am. Gold	325
24.75	18.25	Barclays Bank	20
22.65	18.35	Barlow Rand	22
115	62	Buffels	74.5
3.9	1.85	CNA Gallo	3.9
7.4	3.8	Currie Finance	7.40
42.2	16.7	De Beers	39.1
79.50	49.25	Driefontein	70.5
62.50	29.25	F.S.Cons.	58.5
67.5	32	Gold Fields S.A.	61.75
16.5	4.75	Highveld Steel	5.85
19.5	6.2	Malbor	19.5
9.5	5.40	Nedbank	7.3
20	11.4	OK Bazaars	15.75
115	45	Rembrandt	104
56.75	25	Rust Plat	49.6
23.25	13	Safren	23.25
14.5	9.0	Sage Hldgs	13.25
18	6.2	SA Brews	17.9
37.75	24	Smith (CG)	37.5
11.7	7.0	Tongaat Huletts	11.5

AUSTRALIA

1986/7 High	Low	Apr. 3	Price Aust. $
4.2	2.55	ACI Intl	3.03
16.6	10.5	Adelaide Steams	12
5.04	2.68	Amcor	4.6
6.3	4.4	ANZ Group	5.25
3.25	2.05	Ampol Pet.	3.15
3.75	2.0	Ariadne	3.40
4.00	1.15	Ashton	3.9
3.75	2.1	Aust. Guarantee	3.4
3.70	2.46	Aust. Nat. Inds.	3.15
11.1	5.9	Bell Group	10.5
5.79	3.70	Bell Res.	5.42
3.75	1.05	Bond Corp Hldgs	2.72
5.0	2.6	Boral	4.7
3.75	1.9	Bougainville	3.75
9.9	4.3	Brambles Inds	8.9
1.89	0.69	Bridge Oil	1.6
11.5	5.2	BHP	11.2
11.15	5.5	Burns Philp	10.6
8.30	5.48	CRA	7.9
4.35	2.60	CSR	4.25
5.6	2.7	Chase Corp.	4.70
1.24	0.63	Claremont Pet.	1.2
6.6	4.1	Coles Myer	6.5
3.00	1.80	Comalco "A"	3
0.36	0.10	Consolidated Pet	0.25
5.2	1.7	Costain Aust.	4.75
5.5	2.0	Elders IXL	5.4
1.9	1.41	Energ Res.	1.9
2.9	2.15	Gen. Prop. Trust	2.9
4.80	3.0	Hardie (James)	4.75
3.45	1.55	Hartogen Energy	3
18.7	4.85	Herald W'yTimes	18.50
4.00	2.12	ICI Aust.	4
9.0	4.8	Industrial Equity	5.8
0.65	0.18	Jimberlana F.P.	0.65
1.3	0.50	Kia Ora Gold	0.93
8.5	4.9	Kidston Gold	7.9
13.4	5.74	Lend Lease	12.95
3.12	1.53	MIM	2.84
4.7	2.68	Mayne Nickless	4.6
6.5	4.0	Nat. Aust. Bank	5.2
24.9	4.51	News	25.9
4.40	0.65	Noranda Pacific	4.4
2.85	1.70	North Bkn Hill	2.85
1.28	0.53	Oakbridge	0.85
5.30	2.27	Pacific Dunlop	4.58
3.60	1.7	Pancontinental	3.5
3.62	2.45	Pioneer Conc.	3.35
3.55	2.00	Placer Pacific	3.2
12.0	2.02	Poseidon	10.5
1.97	1.39	Queensland	1.32
5.56	3.26	Santos	5.5
5.2	3.95	Smith (Howard)	5
4.8	2.18	TNT	4.5
7.22	5.2	Tooth	7.2
3.25	1.85	Vamgas	2.8
7.96	2.82	Western Mining	7.96
6.28	4.4	Westpac Bank	4.66
2.68	0.75	Woodside Petrol	2.3
4.10	2.65	Woolworths	3.55
4.75	3.35	Wormald Intl	3.6

HONG KONG

1986/7 High	Low	Apr. 3	Price H.K.$
27.3	17.4	Bank East Asia	19.2
6.6	5.15	Cathay Pacific	5.75
47	17.9	Cheung Kong	41.75
23.2	14.8	China Light	21.6
0.97	0.53	Evergo	0.71
63	32.25	Hang Seng Bank	50.5
6.4	1.65	Henderson Land	6.25
25	15.3	HK China Gas	15.3
16.1	8.3	HK Electric	15.1
8.3	6.2	HK Land	7.6
11	6.25	HK Shanghai Bk.	8.4xa
15.6	9.3	HK Telephone	12.7
56	24	Hutchison Wpa.	51
48.25	20.3	Ind. Equity Pac.	24.1
25.7	11	Jardine Math.	22.5
11.5	5.05	New World Dev.	9.55
26.2	10.6	SHK Props	25.5
1.41	0.52	Shell Elect.	1.32
23.6	9.9	Swire Pac A	21.9
14.3	5	TV—B	12.5
9.9	6.2	Wharf Hldgs	8.6
10.4	6.15	Winsor Inds.	10.1
4.07	[illegible]	World Int. Hldgs.	[illegible]

JAPAN

1986/7 High	Low	Apr. 4	Price Yen
4,260	1,130	Ajinomoto	3,930
2,150	745	All Nippon Air	1,930
2,170	1,400	Alps Electric	1,490
1,100	735	Asahi Chem.	1,090
2,000	890	Asahi Glass	2,000
1,640	691	Bank Tokyo	1,390
955	602	Bridgestone	865
850	583	Brother Inds.	863
1,200	718	Canon	745
1,840	950	Casio Comp.	1,000
1,790	921	Chugai Pharm	1,700
1,760	715	Daiei	1,650
3,250	1,460	Dai-Ichi Kan. Bk.	3,100
735	500	Dai Nippon Ink.	695
2,000	1,190	Dai Nippon Ptg.	1,790
2,190	941	Daiwa House	2,190
3,050	734	Daiwa Sec.	2,900
2,350	1,230	Eisai	2,010
7,750	4,000	Fanuc	4,000
3,270	1,460	Fuji Bank	3,140
3,890	1,650	Fuji Film	2,880
2,360	886	Fujisawa	2,150
1,240	731	Fujitsu	815
860	324	F'urukawa Elect.	842
3,500	1,200	Green Cross	2,900
2,030	794	Heiwa Real Est.	1,950
1,180	760	Hitachi	919
2,350	1,150	Hitachi Credit	1,680
1,580	989	Honda	1,300
3,630	1,000	Indl. Bk. Japan	3,530
630	150	Ishikawajima Hr.	615
410	310	Isuzu Motor	333
942	413	Itoh (C)	887
4,550	2,950	Ito. Yokado	3,750
17,200	8,800	JAL	15,500
1,600	983	Jusco	1,220
1,780	463	Kajima	1,780
1,960	986	Kao Corp.	1,700
279	134	Kawasaki Steel	265

Indices

NEW YORK

DOW JONES	April 3	April 2	April 1	Mar. 31	Mar. 30	1986/87 High	Low	Since Comp High	Low
●Industrials	2390.34	2320.45	2316.05	2304.69	2278.41	2390.34 (3/4/87)	1502.29 (22/1/86)	2390.34 (3/4/87)	41.22 (2/7/32)
Home Bnds.	93.26	93.52	93.55	93.52	94.06	95.51	85.73	—	—

Closing prices, April 3

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33⅝	20⅞	AAR s	.60	1.5	23	516	33½	33⅜	33½	+¼
37	21⅞	ADT	.92	2.7	20	586	34⅝	33½	34⅛	
41½	23⅝	AFG	.12e	.3	11	350	36½	35⅝	36½	+⅝
40¼	16¾	AGS			22	281	37	36	36¾	+½
14¼	6¾	AMCA				18	8⅞	8¾	8⅞	+⅛
9⅝	4⅞	AM Ind				2526	7⅞	7¾	7⅞	
62⅛	47¼	AMR			12	4844	54¼	52¾	54	+1⅝
27½	25	ANR pf	2.67	10.		24	26½	26⅜	26½	−⅛
12⅞	8	ARX s			13	280	10⅝	10⅜	10⅝	
63⅞	28¾	ASA	2a	3.2		1428	62	60¼	62	+1¾
17⅞	9¾	AVX		1.6		524	u18¼	17⅝	18¼	+¾
32¾	25½	AZP	2.72	8.8	10	1100	31¼	30⅝	30⅞	−⅛
67	39¾	AbtLb s	1	1.5	28	4756	65⅞	63	65⅞	+1
34	25	AccoWd	.62	1.9	21	70	33	32¾	33	+⅞
14⅛	9	AcmeC	.40	3.1	24	62	13	12⅞	13	+½
8½	6⅞	AcmeE	.32b	4.1	27	2	7⅞	7⅞	7⅞	
23⅞	18¾	AdaEx	3.42e	16.		115	22⅛	21⅝	22	−⅛
19½	11⅝	AdmMs	.24	1.3	15	87	18¾	18½	18⅝	+⅜
21½	12⅛	AdvSys	.62	2.9	16	63	21¼	20⅝	21¼	+⅜
31½	12⅞	AMD				5909	20⅞	19¾	20¾	+1
50½	48⅝	AMD pf	3	5.8		347	u52	50½	52	+1½
10⅝	5¼	Adobe				1083	u10⅜	10¼	10⅜	+¼
20½	13¾	Adob pf	1.84	9.1		7	20⅛	19⅞	20⅛	+¼

Continued on Page 47

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NYSE COMPOSITE CLOSING PRICES

Continued from Page 46

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
20	15⅞	PetRs pf1.57		9.3		40	17	16¾	16⅞	
3	1	Petrw .20e		18.		100	1¼	1⅛	1⅛	−⅛
77	53⅞	Pfizer 1.80		2.4	19	3580	75⅞	73⅞	74⅞	+1
32⅜	15	PhelpD			29	1541	30⅞	30⅜	30¾	
69	48⅞	Phelp pr 5		8.8		64	56½	58	56½	+¼
26	17⅛	PhilaEl 2.20		9.9	9	3183	22⅜	21⅞	22¼	
49⅞	34	PhE pfA3.80		9.7		z40	39	39	39	
49	38	PhE pfC4.40		9.6		z260	45¾	45½	45¾	+¼
87⅞	61	PhE pfE 7		8.5		z230	82¼	82¼	82¼	
97⅞	77	PhE pfG8.75		9.6		z100	92	91½	91½	−1½
106	100½	PhE pfS8.50		9.5		z210	101½	100½	100½	−½
13⅞	11⅝	PhE pfR1.41		11.		86	12¼	12⅛	12¼	+⅛
13¼	10⅞	PhE pfP1.33		11.		92	12	11⅞	11⅞	
88⅝	68½	PhE pfH7.85		9.8		z120	80	80	80	
12⅞	10⅜	PhE pfO1.28		11.		114	11⅝	11½	11½	
134¼	110¼	PhE pfN17.13		16.		z1200	110½	d110	110	−1½
124	110	PhE pfM15.25		14.		z720	112¼	112	112¼	
103	84	PhE pfK9.50		9.7		z1000	97⅝	97½	97½	
88	69	PhE pfJ7.80		9.6		z270	81½	80½	81½	
85	68	PhE pfI7.75		9.9		z270	78½	78¼	78¼	−¾
19¼	12⅝	PhilSb s .64		5.8	14	31	16¾	16½	16¾	
91¼	54⅞	PhilMr s 3		3.3	15	14580	91¼	87⅝	90¾	+4¾
22	13	Philpl s .36		1.8	16	420	21⅛	20¼	20½	−½
16⅜	8¼	PhilPet .60		3.6	16	18053	u16¾	16	16⅝	+⅝
24¾	19¼	PhlPt pf1.87e		7.8		15	24½	24⅛	24½	+⅛
45½	33⅝	PhilVH .70		1.6	16	1280	44⅜	43½	44⅜	+⅜
13½	7⅞	Phlcorp n				354	8⅝	8¼	8½	+¼
71	35¾	PiedAv .32		.5	20	440	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
X Y Z										
77⅞	49⅞	Xerox 3		3.9	20	4787	u78	76⅞	77⅞	+1⅛
59¼	55	Xerox pf5.45		9.8		19	55⅞	55½	55¾	−⅛
35¾	21½	XTRA .64		2.6		180	25¼	24¾	25	−⅛
21¼	13⅞	Yorkin n			25	65	20¼	19⅞	19⅞	−⅜
6	2¼	Zapata				1519	4⅛	3¾	4⅛	+⅜
49⅞	30¼	Zayre s .22		1.1	16	2041	28⅝	27¾	28¼	+¼
14⅛	9⅝	Zemex .40		2.9	9	51	13⅞	13⅝	13⅝	
29⅞	10⅞	ZenithE				1545	27¼	26⅝	26⅞	+⅜
18⅜	8	ZenLb s				1315	13	12⅝	12⅝	−⅜
21	13⅞	Zero .36		2.0	20	74	18½	18¼	18⅜	−⅛
51½	36¾	Zurnln 1.32		2.7	18	281	49½	49⅛	49½	
10⅛	8¼	Zweig n.10e		1.1		1082	9⅝	9⅛	9½	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, April 3

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OVER-THE-COUNTER

Nasdaq national market, Closing prices April 3

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Ministers meet as threats of a trade war grow

by Colin Millham

THREATS OF a trade war between Japan and the US, with indications the UK was also prepared to become involved, overshadowed other developments on the foreign exchanges last week.

It was not surprising newspaper reports that Mr Nigel Lawson, Chancellor, had set targets of DM 2.90 and $1.60 for sterling caused a stir last Thursday.

Dealers noted this implied a rate for the dollar against the D-Mark of DM 1.8125, at a time when there is considerable uncertainty the US currency will remain above DM 1.80.

The Chancellor quickly claimed he had been misunderstood and misreported, and that he only meant to tell members of the National Economic Development Council he was satisfied with the current levels for the pound against these currencies.

This stopped market speculation in its tracks, and sterling, which had weakened on the reports, returned to its overnight levels.

Mr Lawson's denials also scotched ideas that finance ministers responsible for the Paris currency agreement, attending an International Monetary Fund meeting in Washington this week, would come up with new measures to prevent the dollar falling.

It was said in Tokyo on Friday that the meeting would merely review the situation since the February accord, and that any initiative from Japan to stimulate economic growth was also unlikely.

If the Chancellor was misunderstood, any attempt to interpret events at the IMF gathering would prove even more difficult. This will not be helped by various group meetings involving numbers ranging from G3 to G7.

The G3 is informal, but takes many important decisions. It consists of the US, West Germany and Japan. The G4, mentioned at times last week, adds Britain and France to the US and Germany, but excludes Japan, because of present trade frictions. The G5 is the more formal grouping of all five major industrial countries. The G6 includes Canada, and was responsible for the Paris agreement, but was only formed because Italy felt slighted at being left out of important decision making, and refused to make Paris into a full G7 meeting.

The IMF meeting is likely to be the most important event of the week. There is no important economic news, and the market has tended to tire of reacting to US statistics.

US unemployment announced Friday fell to 6.6 per cent in March from 6.7 per cent in February. This was potentially encouraging, but non-farm employment rose only 164,000.

Dealers took little notice of these figures, believing there is little chance of a recovery in the dollar when the US is threatening a trade war with Japan, and there is no sign of a significant reduction in the US trade deficit.

The Bank of Japan intervened steadily to support the dollar throughout the week, but received no more than token help from other central banks. The Japanese Finance Ministry was forced to ask institutional investors not to be aggressive sellers of the US currency.

Fears of a trade war increased after Mr Clayton Yeutter, US Trade Representative, indicated that Japanese officials visiting Washington were unlikely to prevent the calling off of US trade sanctions. Britain joined in the dispute by threatening not to issue new licences for Japanese banks wishing to operate in London.

£ IN NEW YORK

Apr 3	Close	Previous Close
£ Spot	1.6015-1.6025	1.6115-1.6125
1 month	0.46-0.45 pm	0.51-0.48 pm
3 months	1.30-1.27 pm	1.30-1.26 pm
12 months	4.06-3.96 pm	4.25-4.15 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Apr. 3	Previous
8.30 am	71.5	71.3
9.00 am	71.6	71.3
10.00 am	71.6	71.3
11.00 am	71.8	71.4
Noon	71.8	71.4
1.00 pm	71.9	71.4
2.00 pm	71.9	71.4
3.00 pm	72.0	71.3
4.00 pm	71.9	71.4

CURRENCY RATES

Apr. 3	Bank rate %	Special Drawing Rights *	European Currency Unit
Sterling	—	0.802343	0.708904
U.S. Dollar	5.5	1.27757	1.14169
Canadian $	7.54	1.66966	1.49128
Austrian Sch.	4	16.4142	14.5915
Belgian Franc	8	48.3305	42.9846
Danish Krone	7	8.80182	7.84341
Deutsche Mark	3.0	2.33412	2.07582
Neth. Guilder	4½	2.63563	2.34320
French Franc	9½	7.76826	6.90722
Italian Lira	12	N/A	1479.34
Japanese Yen	2½	188.250	166.744
Norway Krone	8	8.76605	7.78861
Spanish Peseta	—	163.848	145.508
Swedish Krona	7½	8.14068	7.23946
Swiss Franc	3.5	1.94957	1.73251
Greek Drach.	20½	171.533	152.347
Irish Punt	—	N/A	0.777983

* SDR rates are for April 2

CURRENCY MOVEMENTS

April 3	Bank of England Index	Morgan Guaranty Changes %*
Sterling	71.9	−22.1
U.S. Dollar	101.4	−5.6
Canadian Dollar	79.2	−8.9
Austrian Schilling	137.9	+10.3
Belgian Franc	100.1	−4.2
Danish Krone	92.8	+1.6
Deutsche Mark	147.0	+21.7
Swiss Franc	172.0	+21.8
Guilder	134.7	+14.3
French Franc	71.8	−12.6
Lira	48.0	−16.8
Yen	218.8	+62.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).
*Morgan Guaranty rates for April 2.

OTHER CURRENCIES

Apr. 3	£	$
Argentina	2.4765-2.4880	1.5350-1.5410
Australia	2.2700-2.2730	1.4085-1.4095
Brazil	36.1600-36.3700	21.4150-21.5270
Finland	7.1670-7.1800	4.4460-4.4480
Greece	212.10-215.90	132.35-134.35
Hong Kong	12.5850-12.6050	7.8005-7.8025
Iran	115.50*	71.10*
Korea (Sth)	1353.70-1365.90	842.90-849.70
Kuwait	0.44110-0.44180	0.27330-0.27350
Luxembourg	60.55-60.65	37.50-37.60
Malaysia	4.0420-4.0520	2.5060-2.5080
Mexico	1807.35-1826.25	1120.00-1131.00
N. Zealand	2.8070-2.8145	1.7435-1.7465
Saudi Ar.	6.0525-6.0580	3.7500-3.7510
Singapore	3.4440-3.4520	2.1355-2.1375
S. Af. (Cm)	3.2735-3.2960	2.0305-2.0345
S. Af. (Fn)	4.9715-5.1290	3.0770-3.1745
Taiwan	54.80-55.10	34.15-34.25
U.A.E.	5.9275-5.9330	3.6725-3.6735

*Selling rate.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.6140	1.6095	1.6011	1.5913	1.5733
D-mark	2.9350	2.9203	2.8920	2.8540	2.7832
French Fr.	9.7650	9.7516	9.7273	9.6973	9.6647
Swiss Fr.	2.4425	2.4288	2.4053	2.3739	2.3146
Yen	235.25	234.05	231.80	228.80	223.10

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu April 3	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	42.9846	+1.24	+0.84	±1.5344
Danish Krone	7.85212	7.84341	−0.11	−0.51	±1.6404
German D-Mark	2.05853	2.07582	+0.84	+0.44	±1.0981
French Franc	6.90403	6.90722	+0.05	−0.35	±1.3674
Dutch Guilder	2.31943	2.34320	+1.02	+0.62	±1.5012
Irish Punt	0.768411	0.777983	+1.25	+0.85	±1.6684
Italian Lira	1483.58	1479.34	−0.29	−0.29	±4.8752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Apr. 3	£	$	DM	YEN	F Fr.	S Fr.	H FL	Lira	C $	B Fr.
£	1.	1.614	2.935	235.3	9.765	2.443	3.308	2090.	2.111	60.60
$	0.620	1.	1.818	145.7	6.050	1.514	2.049	1295.	1.308	37.55
DM	0.341	0.550	1.	80.15	3.327	0.832	1.127	712.1	0.719	20.65
YEN	4.251	6.861	12.48	1000.	41.51	10.38	14.06	8884.	8.973	257.6
F Fr.	1.024	1.653	3.006	240.9	10.	2.501	3.387	2140.	2.162	62.06
S Fr.	0.409	0.661	1.202	96.32	3.998	1.	1.354	855.7	0.864	24.81
H FL	0.302	0.488	0.887	71.13	2.952	0.738	1.	631.9	0.638	18.32
Lira	0.478	0.772	1.404	112.6	4.672	1.169	1.583	1000.	1.010	29.00
C $	0.474	0.765	1.390	111.4	4.626	1.157	1.567	990.1	1.	28.71
B Fr.	1.650	2.663	4.843	388.2	16.11	4.031	5.458	3449.	3.483	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

EURO-CURRENCY INTEREST RATES

Apr. 3	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	9¾-10	9⅞-10	9{11/16}-10{1/16}	9⅞-10	9{13/16}-9{15/16}	9⅝-9¾
U.S. Dollar	6¼-6⅜	6⅜-6½	6⅜-6½	6½-6⅝	6⅝-6¾	6⅞-7
Can. Dollar	6¾-7	6¾-7	6⅞-7	7-7⅛	7⅛-7¼	7⅜-7½
D. Guilder	5⅛-5¼	5⅛-5¼	5⅜-5½	5⅜-5½	5⅜-5½	5⅜-5½
Sw. Franc	1½-2	1½-2	3⅛-3¼	3⅝-3¾	3⅝-3¾	3⅝-3¾
Deutschmark	3¼-3⅜	3¼-3⅜	3¾-3⅞	3¾-3⅞	3¾-3⅞	3⅞-4
Fr. Franc	7{13/16}-7{15/16}	7⅞-8	8⅛-8¼	8¼-8⅜	8¼-8⅜	8⅜-8½
Italian Lira	6-10	8¾-9½	9½-9¾	9½-9¾	9⅝-10	10⅛-10⅜
B. Fr. (Fin.)	7-7¼	7⅛-7⅜	7¼-7½	7¼-7½	7¼-7½	7⅜-7⅝
B. Fr. (Con.)	7-7½	7-7½	7-7½	7¼-7⅝	7⅜-7⅝	7⅜-7⅝
Yen	4-4⅛	3⅞-4	3{15/16}-4	3{15/16}-4	3{15/16}-4	3{15/16}-4
D. Krone	9¾-10¼	10⅛-10⅜	10⅛-10⅜	9⅞-10⅛	10-10½	10⅛-10⅜
Asian $ (Sing.)	3¾-4	N/A	3¼-3⅜	3¼-3⅜	3¼-3⅜	3¼-3⅜

Long-term Eurodollars: Two years 6⅞-7⅛ per cent; three years 7¼-7½ per cent; four years 7⅜-7{11/16} per cent; five years 7{11/16}-8{1/16} per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT—FORWARD AGAINST THE POUND

Apr. 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6030-1.6160	1.6135-1.6145	0.47-0.44 c pm	3.38	1.32-1.27 pm	3.21
Canada	2.1095-2.1137	2.1105-2.1115	0.54-0.44 c pm	2.79	1.46-1.30 pm	2.36
Neth'lands	3.28½-3.31¼	3.30¼-3.31¼	1¼-1 c pm	4.08	3¾-3½ pm	4.38
Belgium	60.20-60.75	60.55-60.65	17-10 c pm	2.67	45-35 dis	2.64
Denmark	11.00¼-11.07¾	11.06¼-11.07¼	1⅞-2⅞ ore dis	−2.17	5¾-6½ore dis	−2.21
Ireland	1.0890-1.0995	1.0965-1.0975	0.27-0.38 p dis	−3.56	0.65-0.90 dis	−2.83
W. Germany	2.91-2.94	2.93-2.94	1⅝-1½ pf pm	6.13	4¼-4 pm	5.79
Portugal	224.70-227.30	226.10-227.00	46-130 c dis	−4.66	210-328 dis	−4.84
Spain	204.25-205.70	205.40-205.70	114-236 c dis	−9.92	320-335 dis	−6.37
Italy	2072¼-2091	2089½-2090½	2-par lire pm	0.57	3par-2 dis	0.10
Norway	10.91¼-11.03½	10.99-11.00	4¼-4⅝ ore dis	−4.77	13⅝-13⅞ dis	−4.87
France	9.68¼-9.77	9.76-9.77	1½-1 c pm	1.61	4¼-3¾ pm	1.54
Sweden	10.15½-10.24¼	10.21½-10.22½	1⅝-2⅛ ore dis	−2.35	5⅜-5¾ dis	−2.18
Japan	234¼-235¼	234¾-235¾	1⅛-1 y pm	6.06	3⅝-3¼ pm	5.84
Austria	20.45-20.65	20.58-20.61	10-8⅝ gro pm	5.43	27¼-25¾ pm	5.16
Switzerland	2.42¼-2.44¼	2.43¼-2.44¼	1½-1⅛ c pm	6.45	3⅞-3½ pm	6.04

Belgian rate is for convertible francs. Financial franc 60.80-60.90. Six-month forward dollar 2.30-2.25 c pm 12-month 4.12-4.02 c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Apr. 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6030-1.6160	1.6135-1.6145	0.47-0.44c pm	3.38	1.32-1.27pm	3.21
Ireland†	1.4653-1.4730	1.4720-1.4730	0.90-0.84c pm	7.11	2.30-2.10 pm	5.99
Canada	1.3049-1.3085	1.3075-1.3085	0.05-0.08c dis	−0.60	0.17-0.22c dis	−0.60
Netherlands	2.0425-2.0550	2.0485-2.0495	0.20-0.17c pm	1.08	0.64-0.59pm	1.20
Belgium	37.54-37.66	37.50-37.60	1-4c dis	−0.80	3-8 dis	−0.59
Denmark	6.84¾-6.87¾	6.85½-6.86	1.85-2.25ore dis	−3.58	5.80-6.50 dis	−4.63
W. Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	140¼-140¾	140½-140¾	70-120c dis	−8.13	250-320 dis	−8.13
Spain	127.15-127.51	127.30-127.40	115-125c dis	−11.30	320-340 dis	−10.36
Italy	1291-1297	1294¾-1295¼	3-3½lire dis	−3.02	9-11dis	−3.09
Norway	6.79¾-6.82½	6.81-6.81½	4.00-4.50ore dis	−7.49	12.70-13.20dis	−7.60
France	6.03-6.05½	6.04¾-6.05¼	0.80-0.95c dis	−1.74	2.40-2.65 dis	−1.67
Sweden	6.32¾-6.34¾	6.33-6.33½	1.70-2.00ore dis	−3.50	5.35-5.75dis	−3.49
Japan	145.40-146.20	145.65-145.75	0.34-0.30y pm	2.63	1.00-0.95 pm	2.67
Austria	12.74-12.79	12.76-12.76½	2.40-1.90gro pm	2.02	7.00-6.00 pm	2.04
Switzerland	1.5095-1.5180	1.5135-1.5145	0.42-0.37c pm	3.13	1.13-1.08 pm	2.92

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.65-37.75. Correction for Mar. 31 Japan close 145.95-146.05

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
112	10.38	10.61	0.02	0.25
114	8.41	9.14	0.05	0.42
116	6.92	7.39	0.16	1.05
118	5.02	6.09	0.30	1.37
120	3.31	4.54	0.39	2.18
122	2.17	3.47	1.45	3.11
124	1.21	2.51	2.49	4.15

Estimated volume total, Calls 2,253 Puts 435
Previous day's open int: Calls 21,004 Puts 12,334

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
92	5.27	5.02	0.17	0.60
94	3.51	3.43	0.41	1.37
96	2.26	2.36	1.26	2.30
98	1.17	1.45	2.07	3.39
100	0.35	1.05	3.25	4.63
102	0.14	0.41	5.04	6.35
104	0.05	0.24	6.59	8.18
106	0.01	0.13	8.55	10.07

Estimated volume total, Calls 23 Puts 311
Previous day's open int: Calls 235 Puts 413

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Apr	Calls—Last May	Puts—Last Apr	Puts—Last May
19250	6.93	8.45	1.13	2.65
19500	5.18	6.88	1.88	3.58
19750	3.70	5.50	2.90	4.70
20000	2.52	4.32	4.22	6.02
20250	1.64	3.32	5.84	7.52
20500	1.01	2.51	7.71	9.21
20750	0.59	1.86	9.79	11.06
21000	0.33	1.35	12.03	13.05

Estimated volume total, Calls 41 Puts 20
Previous day's open int: Calls 244 Puts 230

LIFFE $/£ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Apr.	May	June	Sept.	Puts—Last Apr.	May	June	Sept.
1.30	—	—	31.60	31.60	—	—	0.00	0.00
1.35	—	—	26.60	26.60	—	—	0.00	0.02
1.40	21.60	21.60	21.60	21.60	0.00	0.00	0.00	0.11
1.45	16.60	16.60	16.60	16.60	0.00	0.00	0.01	0.38
1.50	11.60	11.60	11.60	11.60	0.00	0.01	0.13	1.06
1.55	6.60	6.60	6.60	6.95	0.00	0.20	0.70	2.40
1.60	1.65	2.41	2.95	4.14	0.16	1.40	2.35	4.95

Estimated volume total, Calls 108 Puts 210
Previous day's open int: [illegible]

LONDON SE $/£ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last April	May	June	Sept.	Puts—Last April	May	June	Sept.
1.35	—	—	13.90	13.90	—	—	0.80	1.60
1.40	17.90	17.90	17.80	17.70	0.25	0.30	0.45	1.05
1.45	12.90	12.90	12.90	12.70	0.30	0.60	0.80	1.50
1.50	11.00	11.00	11.00	11.00	0.25	0.30	0.55	1.60
1.55	6.00	6.00	6.00	6.75	0.30	0.20	0.95	1.30
1.60	1.75	2.00	2.75	3.80	0.60	1.75	2.50	4.70
1.65	0.25	0.60	1.05	2.00	4.40	5.25	6.00	8.05

Previous day's open int: Calls 1,257 Puts 1,370
Volume: [illegible]

PHILADELPHIA SE $/£ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Apr.	May	June	Sept.	Puts—Last Apr.	May	June	Sept.
1.400	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.450	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.475	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.500	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.525	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.550	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.575	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Previous day's open int: [illegible]
Previous day's volume: [illegible]

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

[illegible]

LONDON

20-YEAR 12% NOTIONAL GILT — [illegible]

10% NOTIONAL SHORT GILT — [illegible]

THREE-MONTH STERLING — [illegible]

FT-SE 100 INDEX — [illegible]

THREE-MONTH EURODOLLAR — [illegible]

U.S. TREASURY BONDS 8% — [illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% — [illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100% — [illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr — [illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100 — [illegible]

DEUTSCHE MARK (IMM) DM125,000 $ per DM — [illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100% — [illegible]

STANDARD & POORS 500 INDEX — [illegible]

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot 1.6140 | 1-mth [illegible] | 3-mth [illegible] | 6-mth [illegible] | 12-mth [illegible]

IMM—STERLING Se per £

	Close	High	Low	Prev
June	1.6020	1.6070	1.5965	1.5975
Sept.	1.5920	1.5955	1.5880	1.5875
Dec.	1.5825	1.5860	1.5770	1.5780
Mar.	1.5745	1.5780	1.5695	1.5700

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
June	1.6060	1.6055	1.6020	1.5825
Sept.	1.5955	—	—	1.5720
Dec.	1.5860	—	—	1.5620

Estimated volume 5 (23)
Previous day's open int 224 (210)

MONEY MARKETS

Rate hopes continue to fade

HOPES OF further cuts in UK bank base continued to fade last week. Three-month sterling interbank rose to 9{15/16} per cent from 9¾ per cent, and was at the highest level since before last month's Budget.

The Prime Minister's visit to the Soviet Union was regarded as good for Tory morale, but dealers wished to see evidence from the opinion polls of an overall Conservative majority in the event of an early election, before looking for lower rates.

In the absence of such indications attention turned to the international situation, and fears of a trade war between Japan and the US.

> UK clearing bank base lending rate 10 per cent since March 18-19

US banks prime lending rates rose ¼ per cent to 7¾ per cent. This was the result of an upward trend in money market rates, and did not follow a tightening of US credit policy.

Dealers doubted the Federal Reserve was prepared to tighten credit policy at a time when the US had moved to impose trade sanctions on Japanese goods, because of a dispute over semiconductor sales.

Higher US interest rates would support the dollar, when the US was attempting to warn Japan about the dangers to its exports from a weak dollar and a strong yen.

Apart from the rather ambiguous situation over US rates, there were also the ambiguous comments by the Chancellor on the subject of sterling, for the market to digest.

The obvious answer was a defensive rise in short-term money market ratees, as the larger than expected rise in Britain's official reserves was well received, but had no impact.

FT LONDON INTERBANK FIXING

(11.00 a.m. April 3) 3 months U.S. dollars		6 months U.S. dollars	
bid 6½	offer 6⅝	bid 6⅝	offer 6¾

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

	Apr. 3	Mar. 27		Apr. 3	Mar. 27
Bills on offer	£100m	£100m	Top accepted rate of discount	9.5261%	9.3456%
Total of applications	£327m	£372m	Average rate of discount	9.5195%	9.3157%
Total allocated	£100m	£100m	Average yield	9.75%	9.54%
Minimum accepted bid	£97.625	£97.67	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	81%	27%			

WEEKLY CHANGE IN WORLD INTEREST RATES

	Apr. 3	change
LONDON		
Base rates	10	Unch'd
7 day Interbank	[illegible]	[illegible]
3-month Interbank	[illegible]	[illegible]
Treasury Bill Tender	9.5195	+0.2038
Band 1 Bills	[illegible]	[illegible]
Band 2 Bills	[illegible]	[illegible]
Band 3 Bills	[illegible]	[illegible]
Band 4 Bills	[illegible]	[illegible]
3 Mth. Treasury Bill	[illegible]	[illegible]
1 Mth. Bank Bills	[illegible]	[illegible]
3 Mth. Bank Bills	[illegible]	[illegible]
TOKYO		
One month Bills	3.90625	−0.0625
Three month Bills	4.03125	Unch'd
BRUSSELS		
One month	7⅝	Unch'd
Three month	7⅝	Unch'd
AMSTERDAM		
One month	[illegible]	[illegible]
Three month	[illegible]	[illegible]
NEW YORK		
Prime rates	7¾	+¼
Federal Funds	[illegible]	[illegible]
3 Mth. Treasury Bills	[illegible]	[illegible]
6 Mth. Treasury Bills	[illegible]	[illegible]
3 Mth. CD	[illegible]	[illegible]
FRANKFURT		
Lombard	5.0	Unch'd
One mth. Interbank	[illegible]	[illegible]
Three month	[illegible]	[illegible]
PARIS		
Intervention Rate	[illegible]	[illegible]
One mth. Interbank	[illegible]	[illegible]
Three month	[illegible]	[illegible]
MILAN		
One month	[illegible]	[illegible]
Three month	[illegible]	[illegible]
DUBLIN		
One month	[illegible]	[illegible]
Three month	[illegible]	[illegible]

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

MONEY RATES

NEW YORK (4 p.m.)

Prime rate	7¾
Broker loan rate	7¼-7½
Fed. funds	6⅛
Fed funds at intervention	—

Treasury Bills and Bonds

One month	5.41	Three year	6.85
Two month	5.44	Four year	7.03
Three month	5.63	Five year	7.12
Six month	5.94	Seven year	7.38
One year	6.10	10 year	7.58
Two year	6.60	30 year	7.88

Apr. 3	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.65-3.75	3.80-3.90	3.80-3.95	3.85-3.95	3.85-4.00	5.0
Paris	7{13/16}-8	7⅞-8	7⅞-8	7⅞-8	7⅞-8	7¾
Zurich	[illegible]	3¼-3¾	—	3½-3⅝	—	—
Amsterdam	5⅛-5⅜	5⅜-5½	—	5⅜-5½	—	—
Tokyo	3.78125	3.90625	—	4.03125	—	—
Milan	10½-11	10¼-10⅜	—	10¼-10⅜	—	—
Brussels	4.65	7⅝-7¾	—	7⅝-7¾	—	—
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—

LONDON MONEY RATES

Apr. 3	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month [illegible] per cent; three-months [illegible] per cent; Bank Bills (sell): one-month [illegible] per cent; three months [illegible] per cent; Treasury Bills: Average tender rate of discount 9.5195 p.c. ECGD Fixed Finance Scheme IV reference date February 28 to March 31 (inclusive): 10.053 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ per cent from April 1, 1987: Bank Deposit Rates for sums at seven days' notice 5 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 8 per cent; one-three months 8 per cent; three-six months 8½ per cent; six-nine months 8½ per cent; nine-12 months 8½ per cent. Under £100,000 8 per cent from March 18. Deposits held under Series 5 10¼ per cent. Deposits withdrawn for cash 5 per cent.